

report of the
AUDITOR GENERAL
for the year ended 31 March 1982



Province of British Columbia
Office of the Auditor General

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Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

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The Honourable Hugh A. Curtis
Minister of Finance
Province of British Columbia

Sir:

I have the honour to transmit herewith my Report to the Legislative Assembly for the fiscal year ended 31 March 1982 for submission to the Assembly in accordance with the provisions of Section 10(1) of the Auditor General Act, R.S.B.C. 1979, chapter 24.

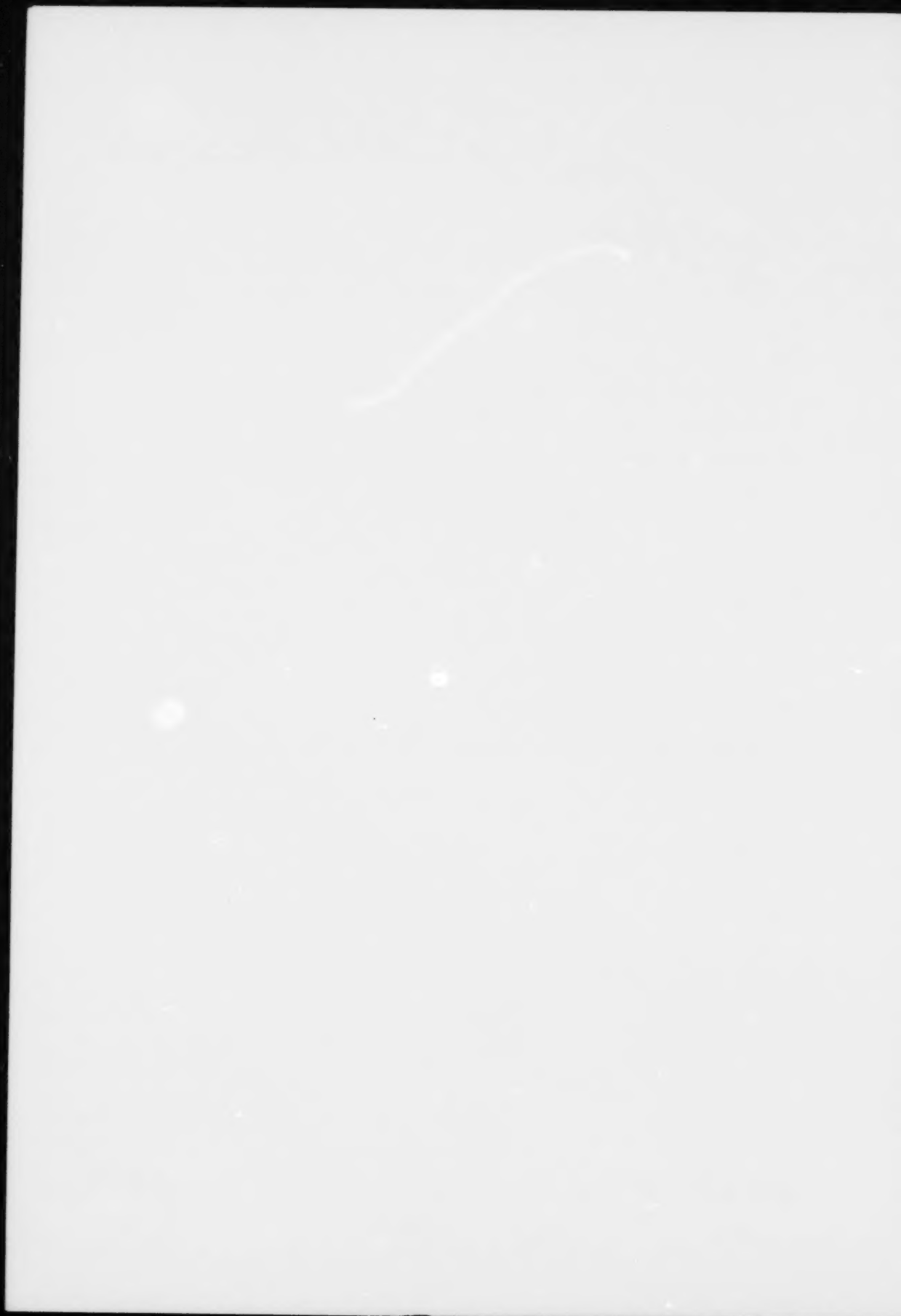
Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
23 June 1983



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Highlights

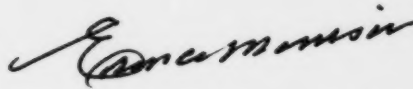
My fifth Annual Report to the Legislative Assembly deals with matters arising from the work of my Office in respect to the 1982 fiscal year.

It contains further comment in regard to the recommendation I made last year that the Capital Financing Authorities be included in the Consolidated Financial Statements of the Province.

In addition to comments on the financial statements and other matters arising from the audit work related to them, I am reporting on two special audit projects. These are a cross-government review of certain types of expenditures with particular focus on travel, reported in Section 6 of this Report, and an examination of the internal audit function of the Government, reported in Section 7.

The material presented in this Report has been discussed with the appropriate officials so that they would have the opportunity to present their views as to its factual accuracy and the conclusions which were reached. With respect to the special audit projects, the responses of senior government officials to our recommendations are published in the relevant Report sections. The status of findings and recommendations from previous Reports has been updated and appears in Section 4.

I appreciate the cooperation extended to my staff and myself by officials of the various ministries and public bodies audited by my Office, as well as the efforts of the members of my staff in carrying out their responsibilities.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 April 1983



Part 1



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Part 1:

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Government Accounting Policies

1.1 The Government presents its financial information in accordance with accounting policies which it considers appropriate in the circumstances. Significant accounting policies are described in notes forming part of the financial statements, and my opinion on the financial statements of the Government must indicate whether they are presented in accordance with these stated policies.

1.2 Although I consider the Government's accounting policies to be appropriate in most respects, I continue to be concerned with the treatment of capital financing authorities in the consolidated financial statements of the Province. These financing authorities are:

- British Columbia Educational Institutions Capital Financing Authority;
- British Columbia Regional Hospital Districts Financing Authority; and
- British Columbia School Districts Capital Financing Authority.

A fourth authority, the British Columbia Housing and Employment Development Financing Authority, was established during the 1983 fiscal period. In total, the financing authorities had assets and corresponding liabilities of approximately \$1.7 billion at 31 March 1982.

1.3 As stated in my Report for the year ended 31 March 1981, these financing authorities are Crown corporations which are controlled and managed by the Government. Their activities support specific Government programs. More than one-half of the funds used to service the debt of the authorities is provided by the Province. In addition, the Government guarantees the debt of both the primary borrowers and the financing authorities. In these circumstances it is my opinion that the capital financing authorities should have been included in the consolidation.

1.4 The Minister of Finance, in his response to my 1981 Report, has set out in some detail the reasons why the Government considers its accounting policy with respect to financing authorities to be appropriate. I have examined these reasons, but still hold to my original opinion in this regard.

1.5 In accordance with stated accounting policy the financial statements of the Workers' Compensation Board of British Columbia are not consolidated because the Board "... carries on a quasi-insurance activity funded by contributions from employers and it is not intended to be run on commercial lines." Where such entities are self-financing and actuarially sound, their non-consolidation is, in my opinion, appropriate. However, I note that the actuarial estimate of the required reserves of the Board exceeded the funded reserves by \$509,756,000 at 31 December 1981 and \$504,350,000 at 31 December 1982. Because of the magnitude of these actuarial deficiencies I suggest that the decision to exclude the Workers' Compensation Board and its unfunded liabilities from the consolidated financial statements be re-assessed each year.

- 1.6 This was the second year in which the Government's new accounting policies were followed in preparing the annual financial statements of the Province. The policies, which call for a modified accrual basis of accounting and the presentation of consolidated financial statements, have resulted in what I consider to be a more meaningful portrayal of the Government's financial transactions and year-end position.
- 1.7 The transition to the new accounting policies has not been without practical difficulties in arriving at final figures. My staff will continue to work closely with officials of all ministries in an effort to minimize these problems in the future.

Reports and Comments on the Financial Statements

- 2.1 Section 7 of the *Auditor General Act* requires the Auditor General to examine the financial statements prepared annually by the Government, and to express an opinion as to whether the statements provide a fair presentation of the financial position and operating results of the Government in accordance with its stated accounting policies.
- 2.2 This part of the Report deals with the auditor's reports containing my opinions on those financial statements and with my remarks on those matters arising from our examination of the financial statements which warrant additional comment.

Reports of the Auditor General on the Financial Statements

- 2.3 The Government presents two separate and distinct sets of annual financial statements. The first, referred to as the financial statements of the Combined General Fund and Special Purpose Funds, reflects the transactions and financial position of the Consolidated Revenue Fund. The second, referred to as the Consolidated Financial Statements, is intended to provide a more comprehensive picture of the Government's financial position by aggregating the Fund with certain Crown corporations, and including on an equity basis the Government's investment in other Crown corporations.
- 2.4 The auditor's reports containing my opinions on these two financial statements have been issued and are included in the Public Accounts. They are dated 30 September 1982, the date on which my staff completed its field work on the audits, and are reproduced hereunder. The relevant sections of the Public Accounts to which these reports pertain appear for the convenience of the reader in Appendix III to this Report.

REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS INCLUDED IN THE PUBLIC ACCOUNTS OF THE PROVINCE OF BRITISH COLUMBIA FOR THE YEAR ENDED 31 MARCH 1982.

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the financial statements of the Combined General Fund and Special Purpose Funds (Consolidated Revenue Fund) of the Government of the Province of British

Columbia for the fiscal year ended March 31, 1982 as presented in Section B of the Public Accounts, and the related supplementary statements contained in sub-sections B26 through B57. These financial statements are:

- Combined Balance Sheet
- Combined Statement of Net Equity
- Combined Statement of Operating Results
- Combined Statement of Changes in Cash and Temporary Investments
- Notes to Combined Financial Statements

With respect to the supplementary statements, I did not examine and do not express an opinion on the figures reported in Combined General Fund and Special Purpose Funds Revenue by Sources (B26) and Expenditure by Function (B28) for the fiscal years ended March 31, 1979 and 1980.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these combined financial statements present fairly the financial position of the Government of the Province of British Columbia as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended on a combined basis in accordance with the stated accounting policies as set out in Note 1 to the combined financial statements applied on a basis consistent with that of the preceding year.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1982

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the Consolidated Financial Statements of the Government of the Province of British Columbia for the fiscal year ended March 31, 1982 as presented in Section C of the Public Accounts, and the related supplementary schedules contained in sub-sections C27 through C29. These financial statements are:

Consolidated Balance Sheet
Consolidated Statement of Taxpayers' Equity
Consolidated Statement of Operating Results
Consolidated Statement of Changes in Cash and Temporary Investments
Notes to Consolidated Financial Statements

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these consolidated financial statements present fairly the consolidated financial position of the Government of the Province of British Columbia as at March 31, 1982 and the consolidated results of its operations and the changes in its consolidated financial position for the year then ended on a consolidated basis in accordance with the stated accounting policies as set out in Note 1 to the consolidated financial statements applied on a basis consistent with that of the preceding year.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1982

Comments on the Financial Statements

- 2.5 The reader will note that the preceding reports containing my opinions on the financial statements of the Government are made without reservation. Nevertheless, in the course of the examination conducted by my staff, numerous items are brought to my attention which constitute deviations from the Government's stated accounting policies, failure to comply with laid down accounting and administrative procedures, or instances where it is considered that good business practices have not been followed.
- 2.6 In no case were these items of sufficient magnitude or concern to warrant a qualification of my opinions on the financial statements of the Government as a whole. In fact, most were of a nature and degree which could be dealt with adequately by direct communication through management letters and discussions with officials of the ministries concerned. Nevertheless, the following items were of sufficient importance to warrant inclusion in this Report.

UNRECORDED BANK ACCOUNTS

- 2.7 Government accounting policy requires that all monies held in trust for third parties be recorded, and reported in the Public Accounts.
- 2.8 My staff found court trust bank accounts with balances totalling \$1.7 million which were not included in the balance recorded by the Province. In addition, the balance that was recorded was overstated by \$.7 million because it was recorded on a cash basis. The net effect of these omissions and errors was an understatement of these trust balances by \$1 million.
- 2.9 I recommend that the Ministries of Finance and the Attorney General take steps to ensure that all court trust bank accounts and the offsetting trust fund liability are correctly accounted for and reported.

UNEXPENDED BALANCE OF APPROPRIATIONS

- 2.10 The Legislative Assembly provides funds for government programs and operations under the *Supply Act*. Control of these public funds is exercised by the Assembly through the *Supply Act* which provides that "... any part of the money appropriated ... that may be unexpended at the end of the fiscal year ... shall not be expended after that date."
- 2.11 The *Supply Act* pertaining to the 1982 fiscal year provided the Ministry of Education with \$2,839,750 for various projects related to the International Year of Disabled Persons. This appropriation expired 31 March 1982 and accordingly any unexpended portion of the appropriation lapsed at that date.

- 2.12 In March 1982 cheques in the amount of \$780,000 for uncompleted projects were prepared and charged as expenditures of the 1982 fiscal year in the accounts of the Government. However, these cheques were not released until the conditions for payment had been met which occurred during the 1983 fiscal year. In addition, before the end of March 1982, \$68,693 was transferred to a trust fund established with a public body. The funds used to establish the trust fund were also charged as expenditures of the 1982 fiscal year although they related to future expenses of the program.
- 2.13 In my opinion the above mentioned payments, totalling approximately \$849,000, did not constitute valid expenditures of the 1982 fiscal year. This portion of the appropriation should have lapsed and legislative authority obtained for the expenditure of these funds in the 1983 fiscal year.

SUPERANNUATION FUNDS

- 2.14 Members of the Legislative Assembly contribute to a superannuation account in order to provide pension benefits upon their retirement. The Province also contributes to this account under the terms of compensation for Members of the Legislative Assembly. Members contribute toward both the basic benefits which provide a predetermined monthly income and supplementary benefits which reflect changes in the cost of living. The Province contributes only toward the basic benefits.
- 2.15 When a Member of the Legislative Assembly retires, an amount of money calculated as that required to finance his or her future basic pension benefits is transferred into the Public Service Superannuation Fund. The amount transferred does not include any provision for supplementary benefits. However, retired Members are receiving these benefits although existing legislation does not specifically provide for supplementary pension benefits.
- 2.16 If it is intended that Members of the Legislative Assembly who have retired receive pensions which reflect changes in the cost of living, the legislation should be clarified, terms of funding established, and an appropriate amount transferred to the Public Service Superannuation Fund to provide such benefits.

ACQUISITION OF FIXED ASSETS WITHOUT PROPER AUTHORITY

- 2.17 During the 1982 fiscal year, the Government accepted properties in lieu of cash as payment from British Columbia Buildings Corporation (BCBC) on its promissory notes payable to the Province. The properties transferred to the Province, valued at \$5.9 million, subsequently were written down to a nominal value of \$1 in conformance with the Government's stated accounting policy with respect to fixed assets.

- 2.18 I am concerned about the authorities used as support for these transactions by the Ministry of Finance.
- 2.19 Section 35 of the *Financial Administration Act* was used as support for the acceptance of the properties in lieu of cash payments to reduce the amount owing on promissory notes from BCBC. Section 35 deals with "Payments from the consolidated revenue fund and trust funds . . ." Since no such payments occurred in this transaction, the use of Section 35 as support was not appropriate.
- 2.20 Treasury Board approval was obtained to use Section 14 (1) of the *Financial Administration Act* as support for the \$5.9 million write-down in value of properties, in order to conform with the Government's stated accounting policy of recording its fixed asset acquisitions as expenditures and its fixed assets at a nominal value of \$1. Section 14 (1) refers to the "write-off" of assets, debts or obligations that are considered to be "unrealizable" or "uncollectable." The write-down did not involve assets, debts or obligations which were either unrealizable or uncollectable, and I therefore consider that the use of Section 14 (1) as authority for the transaction was inappropriate.
- 2.21 In my opinion, proper legislative authority was not obtained for what was, in effect, the expenditure of \$5.9 million for the acquisition of fixed assets by the Government.

PROVINCIALY ADMINISTERED SINKING FUNDS

- 2.22 When a Crown corporation or public body borrows money by issuing debentures, a sinking fund is usually created to provide for orderly retirement of the debt. A sinking fund is, in effect, a savings account into which the corporation places money regularly. This money, together with the interest it earns, is then used to repay the debt when it becomes due. The amount of money to be paid into the sinking fund each year is determined at the outset, and is based on a forecast of how much interest the invested funds will earn during the lifetime of the fund.
- 2.23 The Minister of Finance, in his capacity as trustee for all provincial Crown corporation sinking funds, administers the sinking funds, invests their money and maintains their accounting records.
- 2.24 The Ministry of Finance has adopted a method of allocating investment income to the various sinking funds which I consider to be inappropriate. The sinking funds of each Crown corporation are grouped in the Ministry's accounting records. Although long-term investments are made for each individual sinking fund, short-term investments are purchased collectively for each group and are not allocated to the individual sinking funds making up the group. As a result individual sinking funds must share short-term investment income on a pooling or formula basis. In practice all investment income is allocated on this pooling or formula basis since

the Ministry considers it impractical to use this basis for allotting short-term investment income without also allocating the long-term investment income on a similar basis, due to the extensive effort required to achieve a more accurate and equitable distribution.

- 2.25 I have brought this matter to the attention of Ministry of Finance officials during the past two years. The Ministry has advised that it will be addressing the problem. I urge that, without further delay, accounting procedures be instituted which ensure an accurate and equitable distribution of investment income to the sinking funds.

PROVISION FOR DOUBTFUL ACCOUNTS

- 2.26 The Ministry of Forests recorded a provision for doubtful accounts of \$853,000 for timber stumpage and royalty accounts receivable due from forest product companies. The basis of the provision was 1% of the total amount billed during the fiscal year. This was the first time that a general provision had been made.
- 2.27 The Ministry, however, did not review its accounts receivable to determine if the provision was sufficient to cover potential bad debts already existing in receivables brought forward from previous years. After reviewing the accounts receivable and discussing them with various Ministry staff, we estimated that an additional \$3.9 million should have been provided in the 1982 fiscal year.
- 2.28 Section 4.4.6 of the Financial Administration Policy states that, "Provision shall be made, in whole or in part, for loans, accountable advances or any other asset whose collectability is in doubt at the time collection is first considered doubtful; the amount of the provision will be sufficient to reduce the carrying value to estimated net realizable value."
- 2.29 I recommend that in future years the Ministry conduct a thorough review of its accounts receivable to identify and provide for those accounts considered doubtful so that the value disclosed in the annual financial statements will represent the estimated net realizable value.

INVENTORY VALUATION

- 2.30 The stated accounting policies of the Government require that inventories of items held for resale to third parties be recorded as assets of the Province. In addition, Comptroller General instructions require a physical count of such inventories at the year-end.
- 2.31 Two instances where the above policy and procedure were not fully complied with are noted below:

- At 31 March 1982 the publications inventory held for resale by the Provincial Museum was counted but the value of the inventory, \$375,000, was not recorded in the accounts. As a result, expenditures were overstated and assets understated by that amount.
- The inventory of speech and hearing equipment held at several clinics of the Ministry of Health at the year-end was not counted. The value of this uncounted inventory was subsequently estimated to be \$1 million. An adjustment was made to include this amount in the financial statements at 31 March 1982.

AUDIT OF PROVINCIAL INCOME TAXES

- 2.32 The Government of British Columbia reported personal and corporation income tax revenues of \$2.4 billion for the 1982 fiscal year. These revenues, recorded on a cash basis in accordance with the Government's stated accounting policies, consist of payments received during the year from the Government of Canada which collects these taxes on behalf of the Province.
- 2.33 The tax collection agreement between Canada and the Province provides that the Auditor General of British Columbia may examine such books and records as may be relevant in order to permit her to report in respect of the payments made to the Province. However, it limits the scope of this examination in certain respects and effectively prevents the Auditor General from examining any aspect of a taxpayer's return relating to the calculation of taxable income, and consequently from performing audit procedures necessary to substantiate provincial income taxes assessed on behalf of the Province.
- 2.34 Since the legislative auditors of most other provinces faced similar concerns with respect to their audit of income tax revenues, a task force was formed in 1979 to examine this problem. The legislative auditors of several provinces, including British Columbia, were represented on the task force, as was the Auditor General of Canada.
- 2.35 In April 1982 the task force issued its third and final report. It dealt with the assessment, allocation and transfer to the provinces of provincial income taxes for the 1979 taxation year, and was based principally on a review of audit work conducted by the Auditor General of Canada with respect to the fiscal year ended 31 March 1981.
- 2.36 Although the task force raised a number of matters of concern to the provincial legislative auditors, I considered none of them to be of a nature or extent which would affect the opinion I express on the financial statements of the Province. Nevertheless, the limitation on my right of access to information affecting the assessment and allocation of provincial income taxes remained, and precluded me from examining and commenting on this important aspect of the Province's revenue systems.

- 2.37 Accordingly, I supported a proposal made at the annual meeting of the Canadian Conference of Legislative Auditors in Victoria in July 1982 that the Auditor General of Canada provide an annual attest audit opinion on financial statements prepared from Government of Canada records setting out provincial income taxes assessed, allocated, paid and due to the provinces.
- 2.38 Time did not allow such opinion to be provided with respect to the 1982 fiscal year. Instead, the Auditor General of Canada issued a letter concerning the audit work performed by his Office with respect to the collection of provincial income taxes. A representative of my Office has reviewed the supporting files relating to the audit work carried out, and found it to be generally satisfactory for our requirements. It is expected that the proposed attest audit opinion will be provided for the 1983 and ensuing fiscal years.
- 2.39 These recent developments have considerably enhanced our audit coverage in this significant area of provincial revenue. I very much appreciate the time and effort devoted to our concerns by the Auditor General of Canada and members of his staff. In addition, I wish to acknowledge the contributions made to this endeavour by representatives of the other legislative audit offices involved.

Comments on Internal Control

- 3.1 Internal control systems are intended to safeguard the assets of an organization, control its expenditures, ensure the efficient collection and control of its revenues, and produce accurate and reliable management and accounting information. Such systems are used by management to ensure, as far as practical, the orderly and efficient conduct of an organization's business.
- 3.2 In each of my previous Reports I have expressed concern over the internal control systems employed by the Government. The initial work of my staff on control systems was directed to the main revenue and expenditure systems. We concluded from this work that these systems were not adequate to meet the requirements of sound financial management. Subsequently, and as a result of these findings, my staff engaged in more extensive and broadly based reviews of internal control. The results of these comprehensive audits and financial management and control audits were contained in my 1980 and 1981 Annual Reports. We reported that there continued to be significant control deficiencies.
- 3.3 In response to each of my last two Reports, the Ministry of Finance prepared and published a document which describes the progress made in implementing my recommendations, as well as other actions the Government has taken to strengthen financial management. In his introductory statement in the response to my 1981 Report the Honourable Hugh A. Curtis, Minister of Finance, stated in part, "This Response indicates that much progress has been made and many improvements effected but also that much remains to be done." I concur.
- 3.4 My 1981 Report noted several major steps taken by the Government during the previous year which were intended to improve internal controls. However, the audit work carried out by my staff for the 1982 fiscal year indicated that, indeed, much remains to be done, since significant control deficiencies continued to be found during the course of our work.
- 3.5 As yet we have not undertaken to evaluate or comment on improvements to the overall internal control systems referred to above. Time is needed to make changes of the magnitude required. I do not consider the implementation period to date sufficiently long to have given management the necessary opportunity to effect the required improvements. My Office will continue to monitor activity in this most important area.
- 3.6 Although we have not carried out an evaluation of overall internal control systems during the past year, we have conducted two reviews directed at specific internal control areas. These are reported on in Sections 6 and 7 of this Report.
- 3.7 In addition, the examination conducted by my staff to support the opinions I expressed on the financial statements included internal control evaluation work. As a result of these evaluations many specific control deficiencies were encountered.

Most of these, while perhaps important in the context of a single ministry, were not of sufficient magnitude or concern to be detailed in this Report and were dealt with less formally through management letters to the ministries. Those specific control deficiencies considered sufficiently important for inclusion in my Report are described hereunder.

UNAUTHORIZED BANK ACCOUNTS

- 3.8 In previous Reports I commented on the fact that monies received on behalf of the Province were not always deposited promptly to the credit of the Minister of Finance in bank accounts authorized by the Minister.
- 3.9 The requirement to follow proper banking procedures is clearly set out in Section 12 (2) of the *Financial Administration Act* which states that "No person shall open an account for the receipt and deposit of public money except as authorized by the Minister of Finance."
- 3.10 According to the Treasury Board's financial administration policy manual, ministries are supposed to establish and maintain a record of all approved ministry bank accounts and a list of those officers who are authorized to sign cheques. This record is to be reconciled at least once each year with the central record maintained by the Ministry of Finance.
- 3.11 We found that the Ministry of Finance central record was incomplete. As at 31 March 1982 we identified over 100 government bank accounts which were not registered on the central record, and more than 30 accounts on the central record which contained inaccuracies of a non-financial nature.
- 3.12 I am concerned that the continued existence of unauthorized bank accounts could lead to loss of government funds, and recommend that ministries be required to comply with the regulations to prevent recurrence of this situation. Existing bank accounts which have not received proper authorization should be brought into compliance with the policy, or should be closed and the balances transferred to authorized accounts.

LEAVE MANAGEMENT SYSTEMS

- 3.13 Government employees earn sick, vacation and other leave entitlements as part of their compensation package. These entitlements constitute a real and significant expense to the government and, since the benefits can accumulate in certain cases, may be carried forward and become payable in future periods.
- 3.14 The Office of the Comptroller General (OCG) operates a centralized leave management system which provides a record of the various leave time earned, taken and

remaining to the credit of an employee. It is designed to control leave entitlements and ensure that only benefits earned are taken. This exception-based system relies on information obtained from the ministries, which were given guidance on the system's operation through the Leave Management System Manual issued to them by the OCG in 1979. In addition, ministries maintain manual systems containing much the same information for a similar purpose.

- 3.15 As a result of the work performed by my staff during our audit of the financial statements of the Government, it came to our attention that there are problems with the completeness and timeliness of the information reported by the ministries to the OCG for inclusion in the centralized leave management system. Consequently the centralized system is neither accurate nor up to date. In addition, the manual systems maintained by the ministries and relied upon by them do not reconcile with the centralized system maintained by the Office of the Comptroller General.
- 3.16 If the leave management system is to serve the purpose for which it was intended and designed, steps must be taken to ensure that the information emanating from the system is accurate and reliable, and that unnecessary duplication is eliminated.

APPROVAL OF CONTRACTS

- 3.17 New highway construction is often required as a result of hydroelectric development projects undertaken by British Columbia Hydro and Power Authority. Although the highway work is performed under the direction of the Ministry of Transportation and Highways, all such project costs are recoverable from the Authority.
- 3.18 Treasury Board policies state that calls for tenders on construction contracts which are estimated to exceed \$200,000 must have prior Treasury Board approval. Nevertheless, we noted three highway construction contracts each in excess of this limit and aggregating an estimated \$15.2 million which did not bear Treasury Board approval.
- 3.19 We were advised by Ministry officials that this omission was an oversight, and that subsequent approval had not been obtained because project costs were known to be fully recoverable. While we understand from Ministry officials that the requisite prior approval is now being obtained for all such contracts, these three should be approved retroactively and steps taken to ensure that further such omissions cannot occur.

MOTOR VEHICLE REVENUES

- 3.20 The Motor Vehicle Department (MVD) of the Ministry of Transportation and Highways is responsible for the registration and licensing of motor vehicles and the

collection of related fees under various statutes. For the 1982 fiscal year, this revenue amounted to \$103 million from an estimated two million registered vehicles. The Insurance Corporation of British Columbia (ICBC) collected the major portion of this revenue, \$90 million, on behalf of the MVD.

- 3.21 I am concerned that the MVD's present procedures and resources do not provide an effective check on revenues collected for it by ICBC. The MVD seeks its assurance from two main sources: first, an assessment of the adequacy of the controls in ICBC's revenue processing systems; and second, comparisons of revenues received on a year-to-year basis. The MVD's internal audit group is responsible for ensuring that ICBC revenue systems properly account for vehicle licence fees collected on the MVD's behalf. However, the group has not adequately addressed this role due to staff limitations and other responsibilities. The comparison of revenue received from year to year, while likely to identify any large discrepancies in revenue remitted, is not sufficiently accurate to provide the MVD with the degree of assurance it requires.
- 3.22 Senior management at the Motor Vehicle Department is concerned about the situation and are reviewing existing procedures. We endorse this review and recommend that management act to ensure that the Ministry develops an effective check on the motor vehicle licence revenues collected on its behalf by ICBC.

IMPROVED CONTROL PROCEDURES

- 3.23 In previous Reports I have stressed the need for field audits to control payments under the Partial Interest Reimbursement Program and other similar programs administered by the Ministry of Agriculture and Food.
- 3.24 The Ministry addressed this issue by appointing a program auditor in September 1980. Reviews have been carried out and the auditor reports that overpayments of \$400,000 were detected to 31 December 1982 based on a sample of 1979 claims under this program. The Ministry has made recoveries of \$184,000 and is actively pursuing collection of the remainder.
- 3.25 The Ministry has informed my staff that improved procedures are being established to screen the eligibility of applicants prior to payments being made. I recognize the progress made and encourage continued efforts in this area.

Status of Findings and Recommendations Contained In Previous Annual Reports of the Auditor General

- 4.1 In each Report since my first, I have included information on the status of audit findings and recommendations contained in my previous Annual Reports. The status reported has been that which existed at the time my Report was prepared.
- 4.2 For the past two years the Ministry of Finance has issued a response to the Report of the Auditor General. This document, which is published and available to the public, describes the actions that the Government has taken in response to the findings and recommendations contained in my Annual Reports. It is prepared by the Office of the Comptroller General from comments received from the ministries involved. I heartily endorse these actions by the Ministry of Finance and believe such activity will encourage improvements in the Government's financial management.
- 4.3 This year, as last, the comments in my Report on the current status of findings and recommendations from previous Reports are arranged according to the type of audit from which they resulted.
- 4.4 The first part of this section contains follow-up information on items which arose in previous Reports as a result of the audit work of the Office undertaken to express an opinion on the financial statements of the Government. The status of findings and recommendations in this section has been prepared by my staff and is based on the findings of this year's audit.
- 4.5 The remaining two parts deal with the actions of the Government in response to recommendations made as a result of the comprehensive audits and financial management and control audits carried out in ministries in 1980 and 1981.
- 4.6 Because the Ministry of Finance has published information on the action taken in response to my recommendations, I do not consider it appropriate or worthwhile to publish this information in my Report also. However, there may be several months elapsing between the date of the Ministry of Finance response and the tabling of my Report in the Legislative Assembly. Since ministries may have made substantial progress in implementing or taking further action in regard to recommendations during this time, I feel they should be given the opportunity to have such progress reported. Accordingly, I communicated with each ministry involved and received either confirmation that the status contained in the Ministry of Finance response was still appropriate at the time of preparation of my Report, or an updated status. Where the response elicited as a result of my inquiries differed from that published by the Ministry of Finance, I have included such ministry comment in my Report.

Status of Findings and Recommendations Contained in Previous Annual Reports — General

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1982 Annual Report
GOVERNMENT ACCOUNTING POLICIES			
1981	2.4	Exclusion from the Consolidated Financial Statements of the following three financing authorities: • British Columbia Educational Institutions Capital Financing Authority; • British Columbia Regional Hospital Districts Financing Authority; and • British Columbia School Districts Capital Financing Authority.	No Change. (See also 1982 Report, Section 1, Paragraph 1.2 to 1.4.)
APPLICATION OF NEW ACCOUNTING POLICIES			
1981	4.7	Stated accounting policies not being complied with.	Continues to be a concern. (See also 1982 Report, Section 1, Paragraph 1.7.)
COMMENTS ON THE FINANCIAL STATEMENTS			
1978	8B.20	Effective control is not maintained over securities lodged as deposits.	This problem persists. Controls are generally weak in most of the ministries concerned. There is no effective liaison between these ministries and the Ministry of Finance regarding these deposits.
1978	8C.14	Steps should be taken to either enforce the repayment terms of the loan agreement for the \$2.5 million advance or obtain authorization for deferral.	During 1982 the government legally reclaimed the assets related to this loan. The sale of these assets is being arranged but, due to the specialized nature of the asset, the timing and amount of recovery are uncertain.
1981	4.21		

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1982 Annual Report
1980 1981	3.14 10.14	Limitations placed on the Auditor General of British Columbia under the <i>Federal-Provincial Fiscal Arrangement and Established Programs Financing Act, 1977</i> (Canada), prevent verification of income taxes payable to the Province.	Limitation still exists. During 1982 the Auditor General of Canada agreed to annually provide certain assurances to the provinces with regard to income taxes assessed, allocated, paid and due to the provinces. (See also 1982 Report, Section 2, Paragraph 2.32.)
1981	4.15	Account receivable of \$2.8 million arising from a sale of land should have been set up in the accounts and included in the financial statements in accordance with stated accounting policies.	Account receivable was set up in the accounts and included in the financial statements at 31 March 1982.
1981	4.22	Interest earned and received on mortgage assets of the Provincial Home Acquisition Fund was not recorded as interest revenue.	Interest on mortgage assets was included as revenue in the 31 March 1982 financial statements.
1981	4.23	Interest on overdue accounts receivable arising from timber sales not disclosed separately from timber sales revenue.	No material misstatement in the 31 March 1982 financial statements.
1981	4.26	Interest earned by the Crown Land Fund pursuant to an agreement was not accrued and included in the financial statements in accordance with the stated basis of accounting.	Interest revenue recorded in the accounts at 31 March 1982.

MINISTRY OF ATTORNEY GENERAL

1979	7.16	Uniform guidelines and improved procedures for fee collection by the Public Trustee should be developed.	The new accounting systems developed by the Ministry had not been implemented at 31 December 1982.
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Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1982 Annual Report
MINISTRY OF FINANCE			
1978	11.16 and 11.18	Weaknesses in internal controls and accounting records of the Securities Section.	Many systems improvements have been noted since the date of preparation of my 1980 report. There is still a need for improvement of authorization controls over processing of transactions and for better controls over interest receipts.
1980	4.17		
MINISTRY OF HEALTH			
1979	7.38	The system for administering and controlling patients' trust accounts should be upgraded, with particular attention being given to reconciliation of patients' trust accounts.	The Ministry is conducting a review of the systems used to administer and control patients' trust funds in all institutions operated by it and plans to develop and implement financial policies for patients' trust accounts by 31 March 1984.
1979	7.39	Hospital construction funds of \$142,000 received from the Federal government in 1971 are still not transferred to revenue.	The unexpended balance has been transferred to the Consolidated Revenue Fund.
1979	7.40 and 7.41	Recommendation with respect to the conflict between legislation and accounting practices concerning the Hospital Insurance Fund.	The Ministry has recommended a legislative amendment which would remove the conflict.
1979	7.45	Collection of accounts receivable of the Emergency Health Services Commission should be pursued actively.	Weaknesses in the billing and collection process have been identified and corrective action is being undertaken. Uncollectible accounts have been written off.
1980	4.26	A coordinated policy for adjustment, collection and write-off of hospital patient maintenance charges receivable is necessary to ensure that the hospitals' accounts receivable records reflect amounts considered collectible and that revenue is collected promptly.	The Ministry is planning to implement new financial policies for patient maintenance accounts receivable in the 1984 fiscal year.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1982 Annual Report
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MINISTRY OF LANDS, PARKS AND HOUSING

1979	7.57	The reporting requirements for housing cooperatives and nonprofit societies should be enforced to achieve efficient financial management of the housing grants program.	Program is administered by the British Columbia Housing Management Commission. The Ministry has given direction to the Commission regarding reporting requirements. Terms of reference for the Commission's external auditors are to include a review to ensure compliance with these requirements.
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MINISTRY OF PROVINCIAL SECRETARY AND GOVERNMENT SERVICES

1978	8B.12 and 8B.13	The statement of accounts of the Queen's Printer has not been certified by the Comptroller General as required by the <i>Queen's Printer Act</i> .	No change.
1978	8B.14	Need for improvements in inventory accounting systems of the Queen's Printer.	Systems improvements are being implemented.

Public Bodies

BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

1980	5.10	Should obtain debentures from educational institutions as required by legislation.	No change. (See also 1982 Report, Section 5, Paragraph 5.6.)
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Status of Recommendations from Previous Annual Reports— Financial Management and Control Audits

- 4.7 Ministry comments we received with regard to recommendations resulting from our financial management and control audits, where they differed from those contained in the Ministry of Finance response to my Report, are included hereunder.

STATUS OF RECOMMENDATIONS FROM PREVIOUS ANNUAL REPORTS — FINANCIAL MANAGEMENT AND CONTROL AUDITS

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
MINISTRY OF EDUCATION			
STAFFING AND TRAINING			
1980	9.24	The Ministry should assess the training needs of its financial staff to ensure that all have been accurately identified. As part of this process the Ministry should compare its job needs in the financial area with its available manpower both in terms of numbers of staff and their qualifications.	The Ministry continues to be concerned about the lack of resources available to fully implement the recommendations in the Auditor General's Report.
1980	9.25	The Ministry should implement a policy of training and career development for its financial personnel to ensure that identified training and career development needs are met.	The Ministry is concerned that the central agencies of government have not yet fully addressed the serious question of the changed roles and responsibilities of its financial officers, arising from the new financial legislation.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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MINISTRY OF FINANCE

MANAGEMENT OF THE FINANCIAL FUNCTION

1980	9.67	The role and organization of the financial function should be clearly defined. Its responsibilities should be organized in such a way as to ensure the reliability, completeness, relevance and accuracy of financial information, advice and services provided to management.	The organization structure, developed to ensure reliable, complete, relevant and accurate financial information, was implemented in March 1982. An Executive Financial Officer and Senior Financial Officer were appointed as well as directors and financial officers for various divisions within the Ministry. The Ministry is reviewing job descriptions and organizational structures related to the delivery of the financial function as part of the management review of the financial function being coordinated by the Advisory Committee on Classification of Financial Officers established on the recommendations of the Executive Financial Officers and Senior Financial Councils.
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MINISTRY OF FORESTS

MANAGEMENT OF THE FINANCIAL FUNCTION

1981	8.41	The Executive Financial Officer should complete the development of a comprehensive plan to help coordinate and control the activities required to achieve necessary improvements in financial management and control in the Ministry.	The first five year Finance and Administration Plan was published in August 1982. A Financial Management Task Force, reporting to the Deputy Minister, was established in April 1982.
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Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
1981	8.46	The Ministry should carry out a comprehensive study to determine its financial staff requirements at all levels. The results of the study should be used as a basis for ensuring all financial positions are filled by appropriately qualified staff.	A study of the financial staff requirements of the ministry was carried out in the Vancouver region. However, the recommendations made in the report have not been fully implemented due to the government restraint program. The report is currently being reviewed in conjunction with the review of the financial functions of the Ministry and the proposed new Financial Officer Series.
1981	8.47	The Ministry should review and assess the training needs of its financial staff and, where training needs are identified, should develop a training program that will enable them to carry out their financial duties more effectively.	Training of financial staff in the ministry is encouraged by funding of courses and programs. Planned enhancements to the training program have been delayed due to the government restraint program. The Ministry actively supports the Financial Management Certificate Program and has had three graduates from it, two from headquarters and one from a regional office. A further nine candidates are enrolled in the certificate program and the Ministry has had nine enrolments in the Financial Management and Control Course.

PLANNING, BUDGETING AND BUDGETARY CONTROL

1981	8.49	The Ministry should make provisions for more involvement by the financial function in the review of the cost information used in preparation of its five-year plans in order to improve their reliability.	During the planning and budgeting process for the fiscal year 1983-84, 320 output measures were implemented. The Ministry initiated a project whereby regions will develop five-year programs and annual budgets using micro-computers which interface with the inter-
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Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
1981	8.52	The Ministry should develop a policy and procedures for reporting of variance analysis in order to promote accountability and encourage corrective action when activities deviate from plan.	active estimates system. A pilot project established in Kamloops was cost effective and Treasury Board has approved the extension of the project into the other five regions of the Ministry. The Ministry has established a variance analysis system which includes budget information and output measurements to be used for comparison with actual results. The variance analysis will be reported in the ministry's annual report. The Operations Division Regional Managers of the Ministry meet quarterly with the Assistant Deputy Minister, Operations, to review progress to date on goals and budgets.

ACCOUNTING AND FINANCIAL REPORTING SYSTEMS

1981	8.54	The Executive Financial Officer should implement a complete and coordinated reporting system. The system should take the information needs of all levels of management into account.	A Financial Management Information System Project Team was formed in November 1982 and is well underway.
1981	8.57	The Central Finance Group should ensure that subsidiary and independent accounting and financial reporting systems do not duplicate or overlap each other unnecessarily. The Group should also ensure that records are compared to verify that the information they contain is accurate.	All duplication in subsidiary and independent accounting and financial reporting systems has been eliminated where possible. The Financial Management Information System team will be reviewing the financial management information needs of Headquarters, Regions and Districts.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
SECTION 88 CREDITS			
1981	8.63	The Ministry should develop guidelines that define the circumstances in which a licensee may begin work on a Section 88 project before an addendum has been signed.	The Ministry has developed guidelines whereby a licensee may begin work on a Section 88 project before an addendum has been signed. Guidelines have been developed and have been approved by the Ministry's Executive Committee.
1981	8.64	The Ministry should determine the extent to which standardization of schedules can be achieved. Standard schedules should be approved by legal counsel to ensure that they meet legal requirements.	The ministry is attempting to standardize schedules. A majority of these schedules have been developed and are in the process of being printed.
ASSETS			
1981	8.73	Central Finance should develop a policy for the regions to follow in recognizing doubtful accounts.	Policies providing an effective and efficient system for controlling assets, including accounts receivable, and doubtful accounts, are being developed in accordance with the Financial Administration Policy Manual.
1981	8.74	To provide an effective and efficient system for controlling assets, the Ministry should develop, document and communicate a policy covering this area. It should specify the assets to be controlled, the levels of control required, the control systems and procedures and ongoing monitoring responsibilities.	A review was made of the assets control system in the ministry by an independent management consultant team and Ministry Steering Committee. The Executive Committee has reviewed the recommendations and approval was given in January for implementation.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
MINISTRY OF HEALTH			
MANAGEMENT OF THE FINANCIAL FUNCTION			
1981	8.91	The Ministry should clearly explain to other financial personnel within the Ministry, the role of the Central Financial Group, stressing its responsibility for providing guidance and direction on financial matters.	The policy dealing with the organization and responsibility of the Financial Services Division has been approved by the Deputy Minister and circulated throughout the Ministry. The Ministry intends to expand this policy to include the organization and responsibility of all other financial areas of the Ministry and their functional relationship to the Central Financial Group.
1981	8.92	The Ministry should further refine its estimate of the number and qualifications of financial staff it needs to achieve effective financial management and control.	There are still 21 vacant positions in the Financial Services Division. Five of these are management positions.
1981	8.94	The Ministry should develop a comprehensive financial and accounting manual so that financial policies and procedures are available, in a useful format, to all personnel who need them.	Significant progress has been made in the development of this manual. The manual now encompasses a number of policies such as Management of the Financial Function, Financial Services Division Organization, Financial Signing Authority, Grants Administration and Budget Process, Travel Expenses, Interest on Money Owing to the Province, Hospitality Expenses, and Service Contract Policy. A plan of action has been developed to implement all of the policies contained within the Treasury Board Financial Administration Policy Manual and to incorporate them, in a Ministry context, within our manual over the next two to three years.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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PLANNING, BUDGETING AND BUDGETARY CONTROL

1981	8.96	So that it can estimate and control costs more closely, the Ministry should establish guidelines for each funded agency. These guidelines should: • identify approved programs; • specify levels of service; • establish cost guidelines; • distinguish between fixed and variable costs; and • specify timing, format and content requirements for budget submissions.	The Ministry has not as yet organized an approach to this issue although Hospital Programs' guidelines have been improved. This issue should be resolved in the 1983/84 fiscal year.
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ACCOUNTING AND FINANCIAL REPORTING SYSTEMS

1981	8.100	The Ministry should review its financial reporting requirements and should determine the most cost-effective method of satisfying them so that the various responsibility levels of management receive meaningful, appropriate and timely information.	The Ministry will work in conjunction with the Office of the Comptroller General and other major ministries in the development and implementation of an improved financial information system, dependent upon approved funding for 1983/84.
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EXPENDITURE AND REVENUE CONTROLS

1981	8.104	The Ministry should identify all revenue sources and ensure that accounting controls over them are adequate.	Considerable progress has been made in addressing the adequacy of controls over all revenue sources within the Ministry and the impact of changes made to date will become more evident during the 1983/84 fiscal year.
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Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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INTERNAL AUDIT

1981	8.107	The Ministry's internal audit needs should be assessed to determine whether the mandate and reporting lines of the proposed organization are appropriate, and whether it has enough independence to carry out its role effectively.	The review of the financial function as well as of management and operating systems in the Ministry will be the mandate of the Internal Audit Group to be formed in the Ministry reporting directly to the Deputy Minister. The Internal Monitoring Section of the Financial Services Division is primarily responsible for ensuring compliance with established financial policies and procedures. Until such time as the Internal Audit Group is in place within the Ministry, a number of the internal audit functions are being performed by the Internal Monitoring Section.
1981	8.108	The Ministry should ensure that the internal audit role includes assessing both the financial function and the management and operating systems in the Ministry.	Same comment as for 8.107.

Status of Recommendations from Previous Annual Reports— Comprehensive Audits

- 4.8 Ministry comments with regard to recommendations we made as a result of the comprehensive audits completed in the ministries of Human Resources and Environment, where they differed from those contained in the Ministry of Finance response to my Report, are included hereunder.

STATUS OF RECOMMENDATIONS FROM PREVIOUS ANNUAL REPORTS — COMPREHENSIVE AUDITS

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
MINISTRY OF ENVIRONMENT			
PROGRAM MANAGEMENT AND ACCOUNTABILITY INFORMATION			
1981	9.71	The Ministry should make functional guidance and direction available to program directors to assist them in developing performance measurement systems.	Guidance and direction will be provided to Program Directors to assist them in developing performance measurement systems. A training program in the use of the new performance measurement system will be initiated in the 83/84 fiscal year.
1981	9.84	The Ministry should clearly establish respective responsibilities in remaining areas in which the Waste Management Program interacts with other Ministry programs or with programs of other agencies.	Jurisdictional problems between the Ministry of Health and Waste Management Program have been resolved and appropriate regulations passed. Procedures are being drafted which will clarify roles between waste management staff and conservation officers. The Ministry is working with the Ministry of Energy, Mines and Petroleum Resources on the development of guidelines for the construction of tailings dams. Discussions have been initiated with the Ministry of Energy, Mines and Petroleum Re-

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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sources to deal with discharges from oil and natural gas drilling and production facilities. The responsibility for establishing water quality objectives has been assigned to the Water Management Branch, the Air Management Program is responsible for air quality objectives, and the Waste Management Branch is responsible for discharge objectives for air, water and land. A draft statement has been prepared concerning roles and responsibilities between the Waste Management Branch and the Provincial Emergency Program for incidents involving spills of hazardous materials.

CONTROLS IN THE WASTE MANAGEMENT PROGRAM

1981	9.125	The Ministry should complete the development of policy and procedures for the Waste Management Program.	Substantial progress has been made in the development and implementation of policy and procedures for the Waste Management Program.
1981	9.135	To ensure that the Waste Management Program identifies the most cost-effective control strategies, the Ministry should determine the information it requires to support long and short-term program planning. Where this information is not currently available, the Ministry should set up procedures to collect it.	The Ministry Information Systems Committee is continuing to work on this subject. A special task force has reported on the information needs of the Waste Management Program, including long and short-term planning and the Program Director has identified priorities on each of these information needs. The Ministry is determining through strategic planning and special studies, various environmental areas that will require attention in the short and long term. The area of special waste handling, treatment, storage, and disposal has already

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
1981	9.142	The Ministry should institute procedures to update and maintain its inventories of dischargers to include identified discharges and to flag dischargers that have closed their operations.	been identified and is reflected in new legislation. Program activities in waste recovery and utilization have already been reflected by establishing the Resource Recovery Section of the program. An area of potential long-term study is storm water controls in certain areas of the Province. These are now being examined in some critical Regions. Financial constraints are a major element in progress that can be made on activities which are not legislated functions, but which may bear heavily on alternatives to waste disposal, e.g., waste utilization and packaging controls. The <i>Waste Management Act</i> now provides for cancellation of inactive permits and allows the Ministry to classify operations and exempt them, in whole or in part, from the requirements of the Act. The Ministry's list of registered dischargers has been reviewed and their status has been updated. The Ministry has commenced development of regulations which may be used to control minor types of operations without the use of permits. Permit reviews are intended to be undertaken on a five-year basis. Depending on the economic restraint program, examination of operations will be undertaken as part of this activity to identify discharges that may have been added.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
			A mechanism will be developed to provide for the reporting of unauthorized discharges.
1981	9.158	The Ministry should institute a selective program of review of current permits based on significance and need.	A ranking mechanism has been introduced in the Waste Management Program which will allow the review of permits to be undertaken on the basis of significance and need.
1981	9.156	The Ministry should reconsider the extent to which it obtains information on the background of dischargers for the purposes of issuing and administering permits. As a minimum, it should develop alternative approaches to verifying the reasonableness of requests based on economic grounds to delay or defer negotiated abatement agreements.	Under section 13 of the new <i>Waste Management Act</i> , the Minister of Environment may provide a person with temporary relief from the requirements of a permit by issuing a variance order. All issues involving economic grounds will be handled through this variance procedure, whereas the Waste Management Program will deal in the normal manner with deferments requested due to technical reasons.
1981	9.168	The Ministry should complete the development of its policy covering the submission of discharger data to Headquarters, and should set up procedures for controlling the completeness of data submission.	A task force established to review program information needs and improvements finalized a report in December 1982. As a result, several new working groups were formed with Computer Services and with Regional representatives. These new groups will define the replacement computer systems SEQUIN/SEAM/PASS/SAMAN.
1981	9.173	The Ministry should establish policy governing the extent and frequency of inspections. Further, it should ensure that inspection coverage provided is reported to senior management.	Most discharges are being categorized into groups, each of which will have a specified frequency for inspection. Extent of inspections will normally be dependent upon requirements of individual permits.

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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FINANCIAL MANAGEMENT AND CONTROL

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| 1981 | 9.203 | <p>The Ministry should further develop its assessment of the number and quality of staff it requires to provide effective financial management and control, taking into account both skill levels required and available staff.</p> | <p>A new organization chart has been approved for the Financial Services Branch which reflects three new managerial level positions with appropriate skills. These new positions are: Manager, Budget and Reports; Manager, Revenue; and Manager, Policy, Systems and Procedures. Another new position designated Manager, Accounting Operations, replaces the position designated Assistant Director, Financial Services and gives recognition to the new positions established and the increased complexities of the accounting operations.</p> <p>The regional Managers of Administration will be given training to increase skill levels in financial management. Branch requirements for financial management personnel are being reviewed to determine numbers and skills available in relation to anticipated need for increasing responsibilities.</p> |
| 1981 | 9.211 | <p>The Ministry should review the quality of current budget submissions. Depending on the results of the review, it should provide specific and targeted guidance to staff involved in the budget preparation process.</p> | <p>The Ministry's Budget and Reports Section has been strengthened by obtaining management status for the head of the section, and the designation of a Budget Officer and a Reports Officer in place of a clerical position that had responsibilities in both areas. The Reports Officer's position has not yet been filled due to current restraints. These changes should allow for a more critical review of budget submissions and more intensive train-</p> |

Report	Paragraph	Recommendation	Ministry Comments at Date of Preparation of the 1982 Annual Report
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ing and guidance for staff involved in the budget preparation process. In addition, a Ministry Budget Policy and Procedures Manual is scheduled for completion in May 1983. *

Public Bodies

- 5.1 Although my audit responsibilities deal mainly with the accounts of the Province, at 31 March 1982 I was the appointed auditor of the 31 public bodies listed hereunder:

British Columbia Assessment Authority
British Columbia Educational Institutions Capital Financing Authority
British Columbia Energy Development Agency
British Columbia Harbours Board
British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Institute of Technology
British Columbia Place Ltd.
British Columbia Power Commission Superannuation Fund
British Columbia Railway Company Pension Fund
British Columbia Regional Hospital Districts Financing Authority
British Columbia School Districts Capital Financing Authority
College Pension Fund
Creston Valley Wildlife Management Authority Trust Fund
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Knowledge-West Communications Corporation
Legal Services Society
Medical Services Commission
Municipal Superannuation Fund
Pacific Vocational Institute
Provincial Capital Commission
Provincial Rental Housing Corporation
Simon Fraser University
Teachers' Pensions Fund
Transpo 86 Corporation
The University of British Columbia

The University of British Columbia Health Sciences Centre
 University of Victoria
 Workers' Compensation Board of British Columbia
 Workers' Compensation Board Superannuation Fund.

- 5.2 The financial statements of most of these public bodies, together with my auditor's reports thereon, appear in Volume III of the Public Accounts.
- 5.3 The audit of a public body is concerned primarily with the financial statements of the organization, and is directed toward offering an opinion as to whether the statements provide a fair presentation of the financial position and operating results for the period under review.
- 5.4 In the course of these examinations we review various systems and procedures relating to the accounting and financial management practices of each entity. These reviews frequently disclose areas where improvements in internal control and other systems are called for. Our recommendations are conveyed to officials of each organization in the form of management letters, so that appropriate corrective action may be taken. In these cases I feel that there is no call to detail such matters in this Report. However, I am concerned with one particular problem which persists, and which warrants more vigorous corrective action on the part of officials involved.
- 5.5 The British Columbia Educational Institutions Capital Financing Authority, a Crown corporation, lends funds to various post-secondary educational institutions. The governing legislation provides that these institutions may borrow money from the Authority by the issue and sale of debentures to the Authority.
- 5.6 At 31 March 1982 debentures had not been received with respect to \$225 million of loans outstanding. Although debentures securing \$100 million had been received by December 1982, the remaining \$125 million, due mainly from the three provincial universities, was still unsecured by debentures.
- 5.7 The failure to obtain the required debentures in support of these loans has been a continuing problem upon which I have commented in my last two Reports. I recommend that steps be taken to resolve the impasse which has persisted with regard to this problem and to ensure compliance with the relevant Act.

Part 2
Expenditure Review



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Part 2:

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Expenditure Review

Purpose of the Review

- 6.1 Each of my four previous Annual Reports has emphasized the need to strengthen internal control systems throughout government. Our audit work in the initial years revealed control weaknesses in the main revenue and expenditure systems of the Government. As a result, in 1980 and 1981 we undertook a series of financial management and control audits designed to assess the broader aspects of financial management and to identify causes of any control deficiencies.
- 6.2 This year, I felt it appropriate to undertake an examination which would focus attention in more detail on specific systems. To accomplish this, we have conducted reviews of the systems relating to travel expenses in all ministries.
- 6.3 The travel expense systems were selected for concentrated review because of the high degree of discretion involved in the incurrence and approval of these expenditures. Also, while the dollars spent account for only a relatively small portion of total government expenditures, they are disbursed by many employees on a wide variety of travel expenses. There is, therefore, a particular need for uniform and accurate claiming, authorizing, processing and recording.
- 6.4 The purpose of our review was to determine whether the systems for travel expenses provided a satisfactory degree of assurance that such expenditures were reasonable and appropriate. To provide such assurance the systems must include sufficient controls to protect against indiscriminate spending, excessive spending and the receipt of personal benefit. As well, the systems must ensure that there is adequate documentation evidencing payment of the amount claimed.

Scope

- 6.5 This report analyzes the overall audit findings arising from our review of eighteen of the nineteen ministries of the Government. It focuses on systems and procedures which we feel require attention in order to strengthen controls and improve operating performance. The inquiries I have made to date on the nineteenth ministry, the Ministry of Tourism, have led me to extend the scope of my examination. I am pursuing this matter and shall report on completion.
- 6.6 Our review included travel expenditures of all ministries of the Government, and the control functions exercised by the central agencies related to the expenditure process. It excluded Crown corporations and other agencies. We interviewed accounting staff within ministries and the Office of the Comptroller General (OCG) concerning the systems used for processing these expenditures. We reviewed systems being followed for processing and recording the use of Government Air

Service and accountable advances. We also examined transactions of randomly selected employees of government and Ministers of the Crown for the period 1 April 1981 to 31 March 1982, to provide us with assurance that the actual systems in operation in a particular ministry or central agency were as described to us during interviews with the accounting staff. Specific observations and recommendations resulting from this work were included in management letters which have been forwarded to the ministries concerned.

Summary of Findings and Recommendations

OVERALL CONCLUSION

6.7 We found that the systems could not be relied upon to provide the desired level of assurance that travel expenditures were reasonable and appropriate. Our concern with systems is based on the following general deficiencies.

- Guidelines to assist in the preparation and approval of travel vouchers require improvement, primarily with respect to reasonableness of claims.
- Travel vouchers frequently lack important details concerning the trip, such as whether or not billings will be subsequently received directly from suppliers.
- Billings received directly from suppliers usually are approved for payment without reference to the related travel vouchers, or to the person who approved the original travel expenditure.
- Employees who approve expenditures often do not have the information necessary to make an informed decision.
- Approvals are not always provided by an employee who is of appropriately senior rank to the claimant and who knows the circumstances necessitating the trip.

6.8 During our review we examined a sufficient number of transactions to satisfy ourselves that the systems were operating as represented to us by ministry or central agency staff. We did not attempt to examine sufficient transactions to permit us to draw a general conclusion as to the number or significance of errors included in the travel expenses as a whole. However, in our limited test we did find that the foregoing systems' deficiencies had resulted in errors. Nevertheless, while the systems are vulnerable to abuse, the errors we found have not caused us to believe that there is widespread abuse of the system. We feel this is due more to the integrity of those making claims than to the integrity of the system.

IMPROVEMENTS REQUIRED

6.9 The crux of the expenditure systems is the approval process, both of the trip before it is taken and of the resulting expenditures. Such approval confirms that the expendi-

ture is an appropriate business expense, that it is considered to be reasonable in amount, and that it complies with applicable regulations. These decisions can be made most appropriately in the ministry concerned, and for this critical assurance the systems rely on the officers approving the expenditures.

- 6.10 Accordingly, our principal recommendation deals with assigning appropriate levels of staff who understand their responsibilities, and who know and apply the proper tests when approving expense claims. Another major recommendation deals with the matching of billings received directly from suppliers to travel vouchers, or otherwise ensuring that the billings represent valid charges that have not been paid previously by the government. Other recommendations relate to the accuracy of accounting records, guidelines for reasonableness, and appropriate monitoring of ministries' systems and procedures by the related central agencies.

Recent Developments

- 6.11 The Treasury Board and the Office of the Comptroller General, which are the central agencies involved, have recognized several deficiencies in the systems and procedures relating to travel expenses. They are preparing additional guidelines to assist ministries in achieving a reasonable and more consistent allocation of per diem meal allowances when employees are on travel status for only a portion of the day. Other guidelines are planned to help ministries assess more consistently the reasonableness of claims. We are aware also that the Office of the Comptroller General is phasing out its pre-audit function and that full responsibility for the accuracy of travel and other vouchers then will be assumed by ministries. We have taken these developments into account in preparing this section of the Report and in formulating our recommendations.
- 6.12 Another recent development is the implementation of a formalized system of delegated authority. Legislation and other authorities place responsibility for the control and spending of public money on ministers and deputy ministers. These officials delegate their authority to incumbents of designated positions in their ministries to facilitate effective financial administration. This delegation permits a rational distribution of responsibility, and enables the OCG staff reviewing vouchers to confirm that each voucher has been approved by an authorized person before processing the payment. While we endorse the aims of this formalized system of delegated authority, it is too early to assess the effectiveness of the new procedure.

Overview of the Expenditure Claiming Process

- 6.13 The *Financial Administration Act* assigns responsibility for management of the financial function and outlines the duties and functions of the Treasury Board, the Comptroller General, and of ministries. Responsibility for policy, procedures and implementation as they relate to travel are considered to be assigned as follows:

policy is primarily a concern of the Treasury Board, procedures a concern of the Office of the Comptroller General, and implementation a concern of individual ministries.

- 6.14 Most of the expenditures by the Government for travel by its officers and employees arise in the form of claims submitted for reimbursement of actual out-of-pocket costs, automobile expenses and meals and other sundry costs. Automobile expenses relating to private vehicles are claimed at a standard rate per kilometre, while meal and other sundry costs incurred while travelling are reimbursed through per diem allowances paid at specified rates. Frequently, employees request that suppliers such as airlines, travel agents and hotels forward billings directly to their ministries for payment. Employees may obtain cash advances prior to travelling.

Criteria

- 6.15 Audit criteria are reasonable standards against which management practices, controls and reporting systems can be assessed. The criteria applied in this review are generally accepted financial management and control standards. Our objective was to determine whether the systems provided a high degree of assurance that expenditures were reasonable and appropriate with emphasis on controls to protect against indiscriminate spending, excessive spending and the receipt of personal benefit. As well, the systems must ensure that there is adequate documentation evidencing payment of the amount claimed.
- 6.16 The audit criteria used in assessing the systems are set out below.
1. Guidelines setting out procedures to be followed for travel and related expenses should be:
 - a) complete and comprehensive; and
 - b) clearly communicated to all who need to use them.
 2. Expenses should be authorized before being incurred to ensure that they:
 - a) are necessary;
 - b) are reasonable in amount;
 - c) comply with applicable guidelines; and
 - d) are within the funding limits approved for such expenditures.
 3. The recording and documentation process should provide the approving officer with all relevant information to make an informed decision.
 4. The approving officer should:
 - a) be of appropriately senior rank, and thus in a position to deal effectively with concerns or questions that arise during the approval process;

- b) have direct knowledge of the requirements and details relating to the trip; and
 - c) have sufficient understanding of the guidelines to confirm compliance with them.
5. Processing and reporting procedures should ensure that travel claims are:
- a) clerically correct;
 - b) properly authorized;
 - c) promptly paid;
 - d) accurately recorded in appropriate accounts; and
 - e) reported to appropriate parties in a meaningful format on a timely basis.

Findings and Recommendations

- 6.17 We have included as examples in this section several of the specific problems we found in our review which resulted from systems deficiencies. This was not done because the problems are representative of those in the travel expenses as a whole, since our test was too limited to give us any assurance that this was the case, but only because the examples serve to illustrate the kinds of problems which may result from systems deficiencies.

GUIDELINES

- 6.18 Guidelines for travel expenditures were not always complete, comprehensive or understood by the employees who prepared the claims or by those who approved them. For example, ministries experienced difficulties in establishing when an employee was on travel status and therefore entitled to meal allowances. Because guidelines were not clear, there were inconsistencies in granting meal allowances and per diem rates both among and within ministries. In some cases there was no explanation why per diem meal allowances were not claimed even though they appeared to apply. In other cases breakfast was charged when employees commenced travelling after the normal breakfast period and/or dinner was charged even though employees had returned from trips during the afternoon. Moreover, there was uncertainty whether meal allowances applied when meals were otherwise provided, such as when employees attended conferences or training courses, or travelled on commercial airlines.
- 6.19 In situations where employees did not charge for all meals, the amounts deducted from the total per diem allowance were not always in accordance with guidelines. The guidelines for one group of employees (Deputy Ministers, Assistant Deputy Ministers and Executive Assistants) were not clear concerning the appropriate

deduction from their per diem allowance when they were on travel status for less than a full day or when meals were otherwise provided. Some employees in this group deducted the rates applicable to another employee group when adjusting their claims for a partial day's travel. Others charged the full per diem rate with no deduction for these meals even though they were not on travel status for the full day.

- 6.20 There is no documented government-wide policy which establishes the type and class of transportation to be utilized for travel. One ministry has an informal policy which allows employees to travel in the manner they prefer as long as the charge made to the government reflects only costs up to those which would have been incurred had the most economical mode of transportation been used. This would allow, for example, an employee to travel by automobile as a matter of personal choice. The claim in such cases would be the lesser of the allowable claim for actual distance travelled or, in cases where travel by aircraft is a reasonable alternative, the economy air fare for the trip.
- 6.21 Our review included a claim, in a ministry without appropriate guidelines, where an employee chose to travel by automobile and stated on the travel voucher that "air fare was included in lieu of mileage". However, the amount claimed in air fare exceeded the amount which would have been claimable as mileage. In addition, from the claim it appeared that an additional per diem and an additional charge for accommodation was necessitated by taking the slower mode of transportation. These charges, plus additional salary costs, were paid by the government to accommodate the travel preferences of the claimant. While employees should not be required always to use a specific mode of transportation, those who travel and those who approve claims should ensure that no additional costs, on a "full costing" basis, result to the government from use of an alternate mode of transportation.
- 6.22 Similarly, preparation and approval of travel claims should be governed by a "full costing" test when holidays are taken in conjunction with business trips. In one case, the taking of personal time off during a business trip resulted in the government paying a claim for an additional per diem allowance.
- 6.23 Reasonableness is an important consideration with respect to expenditure claims. Rates are established for per diem allowances and automobile charges. In August 1982, Treasury Board issued an additional directive which set out maximum chargeable rates for hotel accommodation, prohibited reimbursement of first-class air service, and set guidelines for attendance at out-of-province meetings and conferences. These guidelines are important because individuals responsible for approving travel expenses indicated to us that, in the absence of such guidelines with regard to reasonableness, claims would normally be processed as filed.
- 6.24 *Recommendation:* The central agencies should provide more explicit guidelines to assist ministries in applying consistent reasonableness tests for allowable travel expenses. However, whether or not specific guidelines are provided by central

agencies, ministries should consider reasonableness when establishing their own guidelines for use by those who review and approve travel expenses.

PREAUTHORIZATION OF EXPENSES

- 6.25 The system does not require specific preauthorization for expenditures in all cases. Authority to travel and incur the related expenses for routine trips is usually provided by way of general authorization which takes the form of policy statements, directives, job descriptions, or a general understanding between the claimant and his superior as to the travel requirements of carrying out his regular duties. In the case of other travel undertaken, specific authorization is usually sought by the traveller. Since the system only requires that the preauthorization of expenditures be documented in certain cases, verbal authority normally is given. Our review did not reveal any difficulties with this informal preauthorization procedure.

RECORDING AND DOCUMENTATION PROCESS

- 6.26 Employees required to travel in the conduct of their duties usually settle personally any accounts arising as a result of the travel. At the conclusion of a trip, a travel voucher is prepared by the claimant to obtain reimbursement for these out-of-pocket expenditures, supported by evidence of payment, and for other applicable costs including per diem allowances and automobile expenses. However, employees also may, and frequently do, have accounts charged to the government for expenses such as accommodation, car rentals and air fare costs. In these cases, billings are made directly to the employee's ministry by the suppliers. These billings usually follow a different approval process and therefore, in most cases, do not come to the attention of the officer who approved the related travel voucher. As a result, two or more claims relating to a single trip may be processed independently. Discrepancies which would have been detected if they had been reviewed together go unnoticed, and inappropriate or duplicate payments can occur. For example, our test of transactions included the following cases.
- The cost of a car rental was reimbursed to an employee on the basis of a claim on a travel voucher, and paid a second time as a result of a direct billing from the car rental agency.
 - An employee, after making reservations to fly from Victoria to Vancouver with a commercial carrier, changed plans and made the flight by government aircraft. The Ministry was charged and paid for both flights. The Ministry now is attempting to obtain a refund.
 - An employee chartered an aircraft to travel from Williams Lake to Kamloops and had the cost charged to the government. The supplier forwarded a bill to the Ministry and the account was paid without reference to the related travel voucher. The approving officer therefore was not in a position to question whether this mode of travel was required.

- A Ministry paid a car rental charge in advance through a travel agency. The actual charge for use of the rental automobile was less than the amount of the advance. However, since the charges for the actual usage were not compared to the amount of the advance during the approval process, the overpayment was not discovered. A refund is being sought.
 - An employee arranged for a return air ticket from Victoria to Castlegar. A separate ticket, necessitated by a change in plans, was obtained for the Vancouver to Victoria portion of the return trip. Billings were received and paid for both tickets. Again, a refund is being sought to recover the excess.
- 6.27 These examples demonstrate the need for approving officers to have all the information they require when authorizing vouchers for payment. Until there are effective procedures requiring comparison of travel expenses claimed on a travel voucher with those resulting from direct billings, there remains a danger that duplicate payments will continue to occur or that improper disbursements will be made.
- 6.28 *Recommendation:* The OCG should review the practice of allowing employees to have suppliers send billings directly to their ministries, and decide whether this practice is to be continued.
- 6.29 *Recommendation:* The OCG should establish procedures to ensure that all aspects and costs of a trip are recorded on the travel voucher, so that officers who approve the expense claim will know that all expenses have been accounted for.
- 6.30 *Recommendation:* If the practice of permitting suppliers to send billings directly to ministries is to continue, the ministries should ensure that all such billings are matched with the related travel voucher or are otherwise checked to determine that the services have been received, that the expenditure has been properly approved, and that payment for the services has not been made previously.
- 6.31 In our review we also found that the person receiving services frequently did not sign as having received them. A proper system should ensure that goods and services are received in appropriate quantity and quality and that a liability exists. This assurance can only be given by a person in a position to know, usually the individual who actually received services.
- 6.32 *Recommendation:* The OCG should clarify guidelines to ensure that approval for receipt of services is given by a person in a position to know, usually the individual who actually received the services.

APPROVAL

- 6.33 Frequently the officer approving the travel expense was subordinate to the claimant and/or had no direct knowledge of the circumstances justifying the trip or other details relating to it. In other cases the claimant did not sign for receipt of services.

In such cases the approving officer was not in a position to make an informed decision concerning the expenditure or to exert effective control.

6.34 Our limited review of vouchers also indicated that some claims were approved and processed even though they were not in accordance with all related guidelines. We do not know the basis on which approval was granted, since there was no evidence to show that the authorizing officer was aware of any deviation from the guidelines. The following examples were noted.

- Expenses incurred in Canada were incorrectly included with U.S. expenses in the calculation converting U.S. dollars to Canadian funds. Such errors resulted in minor overclaims.
- A travel voucher was submitted covering accommodation for four days. The only supporting documentation was a credit card receipt for the total amount claimed. It was therefore not possible to determine whether the charge was correct.
- A car rental invoice was reimbursed on a travel voucher even though there was no receipt for payment. A billing was subsequently received directly from the supplier and was paid also.
- We found several examples where taxi expenses exceeding the per diem amount stipulated in the guidelines were not explained or supported by receipts.
- The distance claimed and paid for travel between an employee's residence and the airport varied between 60 and 150 km on different travel vouchers.
- The distance between an employee's residence and place of business (portal to portal) was not shown separately from the other mileage claimed as required in the guidelines.
- Mileage was claimed and paid for 30 April, 31 April and 1 May resulting in an overpayment for the mileage claimed on the nonexistent day.
- Errors in addition were found on both travel vouchers and on support documentation.
- Fees for conferences and training courses were incorrectly included on travel vouchers rather than being claimed and approved separately.
- Travel expenses were allocated to the wrong vote and classification.

6.35 It is important to note that the above deviations were not detected either by the ministry concerned or by the pre-audit function within the Office of the Comptroller General. The OCG's pre-audit function focuses on compliance with certain guidelines and completeness of the claim for purposes of processing. Incomplete vouchers are returned to the ministries for correction, and error statistics are generated and reported to all ministries. These error statistics relate primarily to the form of the expense claim rather than to the appropriateness or reasonableness of

the expenditure itself. Therefore, a low error rate does not necessarily mean that expenditures are proper.

- 6.36 These error statistics, published by the Office of the Comptroller General, represent a significant step toward improving the consistency and clerical accuracy of travel expense claims. There is, however, a tendency to place too much reliance on these error statistics and to treat them as a measurement of the ministry's performance. Because ministries are monitored by the OCG in this fashion, ministries have instituted multiple checks on such things as form and accounting completeness in order to eliminate errors as defined by the OCG. However, a more important aspect is determining whether the expense is appropriate and reasonable. For this critical assurance the system relies, as it should, on the officer in the ministry who approves the expenditure.
- 6.37 A general deviation from sound accounting and control procedures is the tendency of ministries to accept charges which are allocated to them on journal vouchers without verifying the accuracy of the charges. For example, monthly charges for the use of Government Air Services were seldom checked to travel vouchers or referred to the employee concerned to substantiate the receipt of the services.
- 6.38 *Recommendation:* Procedures should be established to ensure that employees authorized to approve travel expenditures are:
- of appropriately senior rank;
 - responsible for the travel budget concerned;
 - in a position to know the circumstances justifying the travel; and
 - familiar with the details of the travel guidelines in order to confirm compliance with all applicable regulations.
- 6.39 *Recommendation:* Ministries should ensure that employees authorized to approve travel expenditures know and apply the proper tests when approving expense claims.
- 6.40 *Recommendation:* The OCG should monitor the approval process being followed in ministries to ensure that appropriate personnel are applying proper tests when approving expense claims.

PROCESSING AND REPORTING

- 6.41 The expenses of the Government, including those for travel, are summarized in the financial statements published in the Public Accounts. Our annual audit work includes an examination of the recording and reporting of these expenses. However, for the purposes of this review we used detailed information from subsidiary records which record travel expenses for each employee. Such subsidi-

any information does not form part of the financial statements on which I express my audit opinion.

- 6.42 The information included in the subsidiary records we used for the review is accumulated by assigning a specific account number to each employee and coding each travel expense to the number of the employee concerned. This cumulative record of travel expense by employee is reported in the special schedules of salaries, wages and travelling expenses in the Public Accounts. In recent years this information has been presented in Volume II of the Public Accounts.
- 6.43 We discovered the following limitations in the information contained in these special schedules during the course of this review.
- Policy guidelines issued by the central agencies require only a portion of the total costs of relocating an employee to be reported as expenses of the individual concerned.
 - Some ministries have developed their own practices for allocating travel expenses to the accounts of individual employees. For instance, in one ministry air fare is not allocated if more than two employees travel in the same aircraft, and in another expenditures relating to a specific type of travel are not allocated.
 - Coding errors resulted in situations where the expenditures of one employee were allocated to the account of another, and in other cases where expenditures were not allocated to an employee at all.
 - A portion of total travel expense in the schedule for each ministry is called "unallocated". This category contains a number of types of expenditures relating to travel including the costs associated with government vehicles and travel for specific projects or activities that ministries may wish to identify and accumulate separately. The unallocated balance also includes a general figure to balance the total of travel expenditures allocated to individual employees with the balance appearing in the main accounting records of the government for total travel expenses.
- 6.44 In addition, some ministries accumulate employee's travel costs in accounts which are not reported as travel expenses in the financial statements of the government. Such expenditures do not appear in the special schedules contained in Volume II of the Public Accounts.
- 6.45 The information shown for individual employees on these special schedules therefore is not necessarily either complete or accurate. Incomplete or inaccurate information can, in some circumstances, be worse than none at all. The cost of accumulating this data for publication is obviously considerable in terms of staff time, computer costs and publication expenses. To be useful it must be reliable.

- 6.46 *Recommendation:* The OCG should reassess the purpose of accumulating and reporting travel expenses for each employee. If it is to be continued, the OCG should ensure that the proper information is identified and is accurately and reliably accumulated.

Summary of Recommendations and Responses from the Ministry of Finance—Office of the Comptroller General

Recommendations	Ministry Comments
The central agencies should provide more explicit guidelines to assist ministries in applying consistent reasonableness tests for allowable travel expenses. However, whether or not specific guidelines are provided by central agencies, ministries should consider reasonableness when establishing their own guidelines for use by those who review and approve travel expenses.	Directives approved by the Treasury Board in respect of travelling expenses define the allowances which may be paid to employees while on travel status. Limits have been specified in regard to most travelling expenses. Requirements for receipt are also defined in certain circumstances. It is agreed, however, that clarification should be provided in regard to the circumstances under which allowances may be paid to government employees while on travel status.
The OCG should review the practice of allowing employees to have suppliers send billings directly to their ministries, and decide whether this practice is to be continued.	Agreed.
The OCG should establish procedures to ensure that all aspects and costs of a trip are recorded on the travel voucher, so that officers who approve the expense claim will know that all expenses have been accounted for.	Approved Treasury Board policy and related procedures require that all officers who approve expenditure claims ensure that all expenses have been properly accounted for. A review of these policies and procedures will be carried out with a view to introducing improvements where considered necessary to assist officers who approve travel expense claims in ensuring that all aspects of a trip are reviewed.

Recommendations	Ministry Comments
If the practice of permitting suppliers to send billings directly to ministries is to continue, the ministries should ensure that all such billings are matched with the related travel voucher or are otherwise checked to determine that the services have been received, that the expenditure has been properly approved, and that payment for the services has not been made previously.	Agreed, subject to the review which will be conducted by the Office of the Comptroller General as recommended above.
The OCG should clarify guidelines to ensure that approval for receipt of services is given by a person in a position to know, usually the individual who actually received the services.	The new government form for which traveling expenses may be claimed is Travel Voucher (Form FIN-TB 10). The new form requires certification by the claimant in addition to the officer approving the expense claim. Approval for receipt of services is, therefore, given under current procedures.
Procedures should be established to ensure that employees authorized to approve travel expenditures are:	Treasury Board policy is described in Chapter 9.3 of the Treasury Board Financial Administration Policy Manual as well as procedures in the new Financial Administration Procedures Manual now require that travel expenditures are authorized by employees who are senior to the claimant, who are responsible for the travel budget concerned and who are in a position to know the circumstances justifying the travel. These policies and procedures also require that expenditures are authorized after verifying that they are consistent with all directives of the Treasury Board and related legislation.
● of appropriately senior rank; ● responsible for the travel budget concerned; ● in a position to know the circumstances justifying the travel; and ● familiar with the details of the travel guidelines in order to confirm compliance with all applicable regulations.	
Ministries should ensure that employees authorized to approve travel expenditures know and apply the proper tests when approving expense claims.	Agreed. Ministries will be requested to ensure that officers with delegated spending authority for travel expenditures become more fully aware of the requirements of the policies and procedures in respect of travel expenditures.

Recommendations	Ministry Comments
The OCG should monitor the approval process being followed in ministries to ensure that appropriate personnel are applying proper tests when approving expense claims.	Treasury Board policy as described in Chapter 9.3, require ministries to document their specific procedures for account verification. Ministry Executive Financial Officers are accountable for the quality of these procedures and their overall application. The OCG will conduct tests of these procedures to ensure compliance with policy.
The OCG should reassess the purpose of accumulating and reporting travel expenses for each employee. If it is to be continued, the OCG should ensure that the proper information is identified and is accurately and reliably accumulated.	Agreed.

Part 3

**Review of Internal Audit in the Government
of British Columbia**

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Review of Internal Audit in the Government of British Columbia

Preface

INTRODUCTION

7.1 In 1979 the Office of the Auditor General began to evaluate the approach known as 'Comprehensive Audit'. This approach allows the Office to fulfill its responsibilities under different sections of the *Auditor General Act* in an integrated fashion. In planning and carrying out comprehensive audit projects, the Office identifies significant issues with respect to:

- day to day financial and accounting control;
- the authority for transactions entered into;
- economy and efficiency; and
- the basis the government uses to account for and disclose its activities to the Legislative Assembly.

It also examines related management and financial information and control systems. In reporting comprehensive audit projects, the Office aims to provide a reliable assessment to the Legislative Assembly as to whether these systems are free from significant deficiencies that have contributed to (or provided less than reasonable protection from) uneconomical, inefficient or ineffective management of financial, human or physical resources. Where we observe such deficiencies, we indicate the type of corrective action that we believe will help to overcome them. We believe that this allows us to be constructive as well as informative.

PREVIOUS COMPREHENSIVE AUDIT PROJECTS: MINISTRY STUDIES

7.2 The 1980 and 1981 Reports of the Auditor General presented the results of our first comprehensive audit projects. Comprehensive audits were carried out in the Ministry of Human Resources—with particular reference to its Income Assistance Program, and in the Ministry of Environment—focusing on its Waste Management Program. Financial Management and Control audits were carried out in these ministries, as an integral component of the comprehensive audit, and in six other ministries, as separate studies.

7.3 We believe that these projects resulted in significant findings and recommendations for improvement in the ministries concerned. Further, the use of a standard approach to the Financial Management and Control audits allowed us to consolidate our findings, identify recurring patterns in systems of financial management in ministries, and draw broader conclusions than could be drawn from individual studies. Section 8 of the 1981 Report of the Auditor General summarized these conclusions.

CURRENT COMPREHENSIVE AUDIT PROJECT: GOVERNMENT-WIDE STUDY

- 7.4 When the Office introduced the comprehensive audit approach it recognized that responsibility for many aspects of management of the public service is shared between ministries and central agencies. Part 2 of the 1979 report identified the need to address issues where central agencies have significant direct and indirect responsibilities on a government-wide basis. This year we selected one such issue, internal audit, for review.
- 7.5 Our Financial Management and Control audits included a review of internal audit in ministries. Undertaking a review on a government-wide basis allowed us to update our earlier findings, combine them with additional findings in other ministries and in central agencies, and put them in the context of the respective responsibilities of both.
- 7.6 We selected internal audit for the first such review because of its potential to assist management achieve and maintain cost-effective financial and management control over the operation of government. The lack of an effective internal audit function in government was, we believe, an important factor in the failure of government systems to keep pace with the control implications of rapid growth in size and complexity. At a time when the public service is undertaking major systems redevelopment, computerization and decentralization during a period of restraint, internal audit has the potential to play an important role in helping management.
- 7.7 Our thanks are due to the many public service managers who gave their time, thought and consideration to this review. Their help was invaluable in completing this project.

Comprehensive Audit Project . . . Review of Internal Audit**SUMMARY****INTRODUCTION**

- 7.8 THE REVIEW (paras. 7.26 to 7.35): This review addressed the adequacy of senior management's information about the design and operation of its systems of internal control. It focused on the internal audit function, an important source of such information. The review specifically addressed:
- the role of internal audit in providing such information;
 - the capacity of internal audit to provide needed information;
 - the support, direction and guidance given to the internal audit function; and
 - the efficiency and effectiveness of internal audit.

One of the objectives of the review was to determine the extent to which the Office of the Auditor General could rely on internal audit in planning its own work.

- 7.9 **INTERNAL AUDIT** (paras. 7.36 to 7.42): Internal audit is intended to help senior managers manage. It does this by independently assessing financial and management control policies, practices and systems, and by reporting the findings to senior management. Internal audit can be senior management's early warning system, alerting it to existing and potential problems, and identifying areas in which improvement can be made.
- 7.10 **ORGANIZATION AND RESPONSIBILITIES** (paras. 7.43 to 7.46): In the Government of British Columbia, ministries and central agencies share the responsibility for financial and management control. The senior managers of these ministries and central agencies are, in effect, the "clients" of the internal audit function. The Internal Audit Division (IAD) of the Office of the Comptroller General has overall responsibility for the internal audit function throughout government. Its responsibilities are both direct, as when it conducts audits, and indirect, as when it provides functional leadership and direction to other internal audit groups in ministries and agencies.

OVERALL CONCLUSIONS

- 7.11 The potential benefits of a substantially strengthened internal audit function have been widely recognized and reflected in Policy. To realize these benefits, existing internal audit resources will have to be developed, more precisely focused and better managed. Until this has been done, senior management (both in central agencies and in ministries) will not have the full benefits of this important management tool.
- 7.12 Action has been taken to develop the resources of the internal audit function, and better support and direct its efforts. These are positive steps. Because of the practical difficulties of significantly expanding existing capabilities in the short to medium term, and current fiscal constraints on government, we believe the initiatives taken should be strengthened. In particular, more senior management direction and support can better:
- focus internal audit efforts; and
 - ensure the fullest possible coordination of the work of internal auditors and other groups who carry out similar activities.
- 7.13 While we observed some examples of effective internal audit, we also noted instances in which inappropriate audit management and reporting techniques had contributed to audits of questionable value and excessive costs. Where such deficiencies exist, it is important that they be resolved, first to make the most of a scarce resource and second to earn essential management support for the internal audit function.

- 7.14 The Office of the Auditor General intends to rely on the work of internal audit wherever possible. This would minimize the disruption that audits necessarily impose on managers and thus contribute to the overall economy of audit efforts. It would also allow the Office to devote additional resources to fulfilling those discretionary requirements of the *Auditor General Act* aimed at evaluating management controls and the bases the Government uses to account for and disclose to the Legislative Assembly the results of its activities.
- 7.15 The task of strengthening internal audit has begun. However, until substantial progress has been made, the Office will be able to rely on the work of the internal audit function to a limited extent only, on a case-by-case basis. As a result the Office will continue to be restricted in the amount of resources it can devote to the discretionary portions of its mandate.

SUMMARY OF OBSERVATIONS

- 7.16 **THE NEED TO STRENGTHEN INTERNAL AUDIT** (paras. 7.47 to 7.57): The need for an expanded role for internal audit has been recognized in the Financial Administration Policy Manual. The Deputy Ministers and central agency heads we talked to had generally recognized the potential benefits of internal audit. In some cases they had taken steps to achieve them and we found a number of instances in which internal audit had contributed to improved financial and management control and internal accountability. In general, however, the internal audit function was still significantly short of meeting its potential. Typically, senior managers relied on other sources of information to assess their financial and management policies, practices and systems. Most senior managers recognized that there were limitations to such information and that there would be value in complementing such information with reliable and objective assessments from internal auditors.
- 7.17 As stated above, action has been taken to address the implications of a broader role for internal audit. The actions taken can be considered under two main headings—actions to strengthen the capacity of internal audit (obtaining skills, developing performance standards and formal guidance, and allocating resources) and actions to improve the impact of internal audit (demonstrating management's support and better selecting internal audit projects to be done).
- 7.18 **DEVELOPING INTERNAL AUDIT CAPACITY** (paras. 7.58 to 7.70): Expansion of the role of internal audit poses a major challenge. Leadership and technical skills, appropriate performance standards, and formal guidance must be acquired or developed to provide the capacity to do the amount and type of audit implied by an expanded role. Progress has begun in these areas. A number of ministries and agencies have allocated resources to form in-house internal audit groups. The IAD has acquired staff with systems-based and computer audit experience, and developed formal guidance for internal auditors. As well, training has been provided, usually on an individual basis.

- 7.19 Although these are steps in the right direction, much remains to be done. The lack (or uneven distribution) of skills limits the range of work that internal audit can undertake. Formal guidance is incomplete or requires improvement in a number of areas. At the time of our review no comprehensive assessment of training needs had been carried out, and we question the value of some of the training that has been provided.
- 7.20 In the short to medium term, it is unlikely that internal audit capacity can be sufficiently strengthened to allow it to meet fully its potential or management's needs. Senior management will have to continue to rely heavily on other sources of information about its financial and management control systems. As stated, there are limitations to such information. To minimize the effect of these limitations, coordinate internal audit with other review functions, and direct internal auditors to the areas of highest return, we believe that increased senior management involvement in the internal audit function is required.
- 7.21 **SUPPORTING INTERNAL AUDIT AND DIRECTING ITS EFFORTS** (paras. 7.71 to 7.85): Under the heading of action to improve the impact of internal audit, a number of steps have been taken that indicate support for internal audit. For example, some ministries and the Public Service Commission have recently formed, or have raised the status of, internal audit groups. IAD has developed a more formal planning process to better select internal audit projects. As well, IAD has begun a project to help define the internal audit needs of individual ministries with a view to establishing internal audit groups where appropriate. We welcome these initiatives.
- 7.22 However, we also noticed instances where the organizational status and responsibilities of internal audit groups had impaired their impact. For example, some substantial internal audit resources have been directed to other responsibilities, and some internal audit groups are restricted to auditing particular programs within the ministries they serve. Further, the initiatives taken to improve the selection of internal audit projects are broad in nature, and do not take fully into account specific control issues for individual ministries, alternative sources of information about systems, the needs of central agencies or existing internal audit capacity. We believe that senior managers should become more involved in assessing their internal audit needs, directing the efforts of the internal audit function and coordinating internal auditors with other review groups.
- 7.23 **INTERNAL AUDIT EFFICIENCY AND EFFECTIVENESS** (paras. 7.86 to 7.92): Although we observed examples of effective internal audits, we also noted others that had consumed excessive resources and were of questionable value. More appropriate audit management and reporting techniques could have improved the efficiency and effectiveness of these audits. In particular, weaknesses in planning and supervising individual projects contributed to unrealistic estimates of resource requirements, delays, misallocated efforts, and poor quality reports. It is important that internal audit management resolve such deficiencies, where they exist, not

only to make the most of scarce resources, but also to earn support from senior management by providing useful, timely and reliable assessments.

- 7.24 **RECOMMENDATIONS AND RESPONSES** (paras. 7.93 to 7.120): We have not attempted to provide a single solution to cover all situations. The diversity of government indicates that such an approach is unlikely to be productive. Accordingly, our recommendations are broad in nature. First, they focus on the need for IAD action to help develop the capacity of the internal audit function. Second, they address the need for joint ministry and central agency action to specify internal audit needs, taking into account the issues that internal audit should address in specific organizations, and recognizing senior management's other sources of information. We have not made specific recommendations regarding internal audit management and reporting techniques. Rather, we have stressed the need for expanded guidance on these topics in our response to draft Standards for Internal Audit prepared by IAD.
- 7.25 To help address these broad recommendations, we have also discussed a number of key considerations.

INTRODUCTION

THE REVIEW

- 7.26 **PURPOSE:** The purpose of this review was to address the question of whether senior managers were receiving sufficient, reliable assessments of the design and operation of their systems to help them to establish and maintain cost-effective financial and management control. It focused on the internal audit function, an important source of such assessments.
- 7.27 We undertook this review to report to the Legislative Assembly on an important element of internal control under Section 8(1)(c) of the *Auditor General Act* and to assess, under Section 8(2)(b) of the *Auditor General Act*, whether internal auditing activities were being carried out economically and efficiently. As well, the review assessed the extent to which the Office of the Auditor General could rely on the work of internal audit in planning its own work.
- 7.28 **SCOPE AND APPROACH:** Our field work was carried out during the July to December 1982 period. To identify common problems and solutions in the way internal audit operates elsewhere, we reviewed literature on internal audit and met with senior officials and internal auditors in other jurisdictions and organizations.
- 7.29 We reviewed the policy on internal auditing established under the *Financial Administration Act*, and we reviewed and commented on draft "Standards for Internal Auditing in the Government of British Columbia" prepared by IAD.

- 7.30 We held discussions with senior managers (Deputy Ministers, or equivalent, and members of their executive groups) in fourteen ministries and four central agencies. Our discussions focused on their responsibilities for the cost-effective design and operation of financial and management control systems. We explored their perceptions of significant control issues for their organizations, the sources of information they currently used to assess the adequacy of related systems, and their assessment of the completeness and reliability of those sources. Finally, we discussed their plans for improving such information.
- 7.31 With respect to existing internal audit groups in the government, we focused particularly on the coverage they had provided and planned, their capacity to carry out audits, their audit management processes and their audit reports and working papers. While we evaluated audit reports and working papers from the standpoint of their format, consistency and supportability, we did not re-do any audits. Rather we reviewed a sufficient number of audits—which were agreed to as being representative by the auditors concerned—to allow us to assess the appropriateness of audit planning, management and reporting techniques used.
- 7.32 The Financial Administration Policy calls for ministries to ensure that internal audits are provided for public bodies. This issue is complex and requires an in-depth examination outside the scope of this review.
- 7.33 Our review of other groups—such as review or policy implementation groups, whose responsibilities include activities similar to auditing—focused on their role, responsibility and reporting relationships. We did not review these groups in the same depth as we did internal audit groups.
- 7.34 **COORDINATION:** While we were planning our review, we became aware that the Internal Audit Division (IAD) was conducting a survey of existing internal audit organizations in government. We coordinated our efforts with those of IAD by using the results of their survey.
- 7.35 **RESPONSES:** We discussed a draft of this report with the Comptroller General and the Executive Director, IAD. Formal responses to our recommendations and key considerations were provided by the Comptroller General and are included in paragraphs 7.93 to 7.120.

INTERNAL AUDIT

- 7.36 Most jurisdictions define internal audit in similar terms as does the Institute of Internal Auditors Inc. (I.I.A.), which describes internal audit as:

“... an independent appraisal activity established within an organization as a service to the organization. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.”

(See box “The Practice of Internal Auditing”)

THE PRACTICE OF INTERNAL AUDITING

According to the I.I.A., internal auditors "examine and evaluate systems of internal control and the quality of performance in carrying out responsibilities." The I.I.A. identifies five matters that fall within the scope of internal audit.

In summary they are:

- the reliability and integrity of *information* (financial and operational) and the means of gathering and reporting it;
- methods of ensuring *compliance* with significant authorities (laws, regulations, policies and procedures), and the level of compliance attained;
- methods of *safeguarding assets*;
- the *economy and efficiency* with which resources are used, and
- whether *results* are consistent with established objectives.⁸

This broad statement of scope allows for many variations in the way that internal audit develops in different situations. Our discussions in other jurisdictions and our review of the literature showed that one thing was clear and consistent—internal audit is playing an increasingly important role in the management process. The following paragraphs describe some of the more important issues for, and developments in, internal audit and approaches taken elsewhere.

Role of Internal Audit

In practice, internal auditors customarily combine the conflicting roles of informing the management they serve (their principals) and helping the managers they audit (their auditees). To help them maintain balance, their principal (their client) must be clearly identified and their location and reporting relationships carefully considered.

Auditors must be independent of the people whose operations they audit so that they have incentives to audit in the best interest of their principals and so that they can provide unbiased assessments of the operations they audit. However, they also need the cooperation of those they are auditing to make audits go smoothly. (Cooperation also makes it more likely that identified improvement opportunities are acted upon.)

One way in which internal auditors can help to secure cooperation is to make constructive suggestions for improvement.

Internal auditors, familiar with the operations and knowledgeable about controls are in an excellent position to make such suggestions. In effect, the auditor becomes a consultant to the auditee. However, the time taken to develop suggestions detracts from the time available to carry out audits that inform their principals and, further, the fact that a course of action was suggested by, or discussed with, the internal auditor may detract from his perceived objectivity.

Securing the cooperation of auditees also requires their trust. Any operation can be improved. Auditees will naturally be anxious lest the results of an internal audit reflect unfavourably on them. Their anxiety may increase where either (a) they consider the internal auditor is not sufficiently familiar with their operations, and the constraints under which they work, to put his conclusions into perspective or (b) they con-

sider that the distribution of internal audit reports may result simply in criticism rather than in help and support for improvement.

To allow internal auditors to become sufficiently familiar with the operations they audit to acquire a sound perspective, most jurisdictions locate internal audit within the organization they audit. To further help them build the high trust relationships required, internal audit reports are not normally circulated outside the organization (although summary reporting is frequently provided for). To help them maintain balance, the internal audit function normally reports to a clearly identified principal at a high level in the organization so that it has sufficient support to take a stand where necessary. To ensure that it does, internal audit's independence, and the quality of its work is normally subject to review.

Type of Work

Where internal audit is playing an increasing role in the management process the type of work it does has changed. While financial and compliance audits remain significant, operational (or efficiency) auditing has become an increasingly important element of their workload. (Operational auditing is management oriented and directed to improving efficiency and achieving cost savings.) Many approaches have been taken to operational audit. Some internal audit groups acquire specialist operational auditors, others gradually expand into operational audit using experienced internal auditors with a good knowledge of the operations. The Auditor General of Canada, in 1978, recommended that the Federal Government adopt a comprehensive internal audit approach—integrating the audit, review, inspection, monitoring and evaluation activities then taking place in Federal Departments—to better coordinate internal audit efforts and provide a broader, management, perspective to internal audit work. Considerable discussion surrounds this approach.

The type and frequency of internal audits vary. The factors that determine the type of audit appear to be:

- the responsibilities and concerns of the management served (principals)
- the capability of the internal audit group.

Where audits are done according to a prearranged schedule, frequency varies from once a year to once every five years. In general, more established internal audit groups do more recurring audits according to a schedule. Newer groups do more special audits.

Barriers

Generally, lack of funding does not appear to be the main barrier to internal audit development. Rather the problem is that of attracting, developing and retaining skilled people. (In this regard, computer auditors represent a particular problem.) Moreover, effective internal auditors who develop a good knowledge of their organization's operations are frequently transferred to line operations, leaving less experienced internal auditors to carry out audits.

The most common approaches to this problem involve a combination of high classification levels for senior auditors and career path planning for entry level internal auditors. As well, secondment and contracting is used to provide needed skills.

⁸ British Columbia, in common with other Canadian jurisdictions, defines program evaluation as a joint responsibility of Treasury Board and Deputy Ministers and not as a task undertaken by the internal audit function. Accordingly, although they may assess how well the program evaluation function is working, internal auditors do not themselves carry out evaluations of program results.

- 7.37 **THE BENEFITS OF INTERNAL AUDIT:** Internal audit helps assure senior managers that they have met their responsibility to provide adequate financial and management control over the resources entrusted to them. It does this by:
- providing senior management with reliable assessments of the adequacy of the design and operation of their systems of financial and management control;
 - identifying opportunities for improvement, where assurance cannot be given that system design or operation is adequate; and
 - reinforcing other controls, because members of the organization know that their performance may be audited.
- 7.38 To the extent that internal audit promotes effective control at reasonable cost, it contributes to the efficient and effective management of human, physical and financial resources of the entire government operation. To the extent that it fails to do so (whether by overlooking important issues, by providing unreliable appraisals, or by promoting control at unreasonable cost) it does not contribute fully to, and may even detract from, the management of government operations.
- 7.39 **THE IMPORTANCE OF INTERNAL AUDIT:** Control systems need to be maintained and adjusted to keep them cost-effective. If they are not, changing circumstances, within or outside of an organization, can cause them to become ineffective. Managers need reliable information, on a continuing basis, about whether their systems provide an adequate, but not excessive, response to the risks inherent in their operations. Effective internal audit is an important source of such information.
- 7.40 **RELATIONSHIP WITH OTHER REVIEW MECHANISMS:** Clearly, internal audit is not the only way that senior managers have of finding out about the adequacy of their internal control systems. Nor are internal auditors the only people in an organization who will perform, to some extent, examination, review and evaluation activities. For example, program managers and strategic planners are concerned with the reliability of information and with results achieved, and financial officers are closely involved in the design and operation of financial control systems. To the extent that managers review performance and the systems that contribute to that performance, their activities may be similar in nature to those of internal auditors.
- 7.41 Internal audit is different from other review mechanisms in three important respects. If these conditions are met, internal audit should provide a more reliable assessment than other sources for the following reasons.
- Internal auditors should be *independent* of those who carry out the operations under review. Accordingly, they can bring a fresh and unbiased perspective to the assessment.
 - They should *report their findings directly to senior management*, thereby helping senior management get a balanced and complete assessment.

- They should perform *systematic examinations* using generally accepted or other reasonable *criteria* in accordance with *professional standards*, which increases the reliability of their assessments.

7.42 RELATIONSHIP WITH THE OFFICE OF THE AUDITOR GENERAL: The services of the internal audit function are distinct from those provided by the Office of the Auditor General because they serve the needs of different "clients". The internal audit function serves senior management. The Office of the Auditor General serves the Legislative Assembly. As stated, the Office of the Auditor General intends to assess the reliability and relevance of the work done by internal auditors for senior management in order to determine the nature, scope and timing of the audit work carried out on behalf of the Legislative Assembly.

ORGANIZATION AND RESPONSIBILITIES

7.43 INTRODUCTION: Internal audit involves both senior management as clients, or principals, and internal auditors as providers of service. Responsibility for financial and management control is shared between 19 ministries and 8 central agencies. Ultimate authority rests in Treasury Board.

7.44 CENTRAL AGENCY RESPONSIBILITIES: Under the *Financial Administration Act*, the Comptroller General has responsibility for reporting, accounting and control systems, maintenance of central accounts and preparation of financial statements. He also has responsibility to "evaluate accounting and financial management systems throughout the government". Other central agencies have responsibilities for specific facets of financial and management control. To discharge these responsibilities they issue policy directives and guidelines. They have, at least implicitly, a responsibility to satisfy themselves that these directions are complied with and that they promote effective control at reasonable cost.

7.45 THE INTERNAL AUDIT DIVISION: Within the Office of the Comptroller General, the Internal Audit Division has specific responsibilities for internal auditing throughout the government. The Financial Administration Policy sets out the responsibilities of IAD. In summary, they are:

- to ensure that appropriate internal audit coverage is provided in the government;
- to perform internal audit in ministries;
- to provide leadership and direction for other internal audit groups within government; and
- to perform cross-government audits.

- 7.46 **MINISTRY RESPONSIBILITIES:** The Financial Administration Policy further states that internal audit groups shall be established within ministries on the recommendation of the Comptroller General. The Policy does not specifically assign ministry responsibility for internal auditing. However, under section 2.5.2.3, Deputy Ministers are specifically responsible for the systems of internal control in their ministries. Further, section 3.5.2.3 of the Policy specifies that Deputy Ministers are responsible for evaluating their systems of financial administration. Since internal audit is a component of financial administration and an important means of evaluating the adequacy of systems, a strong personal responsibility for Deputy Ministers with respect to internal auditing is implied. This implied role exists whether or not an internal audit group has been established within a ministry.

THE NEED TO STRENGTHEN INTERNAL AUDIT

- 7.47 **INTRODUCTION:** If senior managers are to realize the full benefit of internal audit, its role should be to provide them with a systematic, independent appraisal of the design and operation of their financial and management control systems. To allow internal audit to fulfill that role, its scope should be unrestricted.

HISTORICAL PERSPECTIVE

- 7.48 Prior to the introduction of the *Financial Administration Act* (1981), internal audit played a limited role in the Government of British Columbia. Its primary focus was to audit compliance with detailed rules and certify claims on the Government of Canada. It also carried out public body audits assumed by the Office of the Auditor General in 1977. It was not geared to advising senior management in ministries and central agencies as to the overall adequacy of the design and operation of their control systems.

CURRENT SITUATION

- 7.49 The potential benefits of a stronger internal audit function have been recognized and are now reflected in the Financial Administration Policy. The Policy on internal audit states that internal audit shall encompass all aspects of operations, and that coverage should be provided to each ministry on a regular basis. It also states that a comprehensive internal audit approach (which will address economy and efficiency issues) is to be developed, once a sound financial audit capability has been established.
- 7.50 Implementation of the Policy has begun. In general, the internal audit function is not yet fulfilling its role and is significantly short of meeting its potential. Internal audits have not yet been carried out on substantial portions of the operations of government and some that have been done have been of limited value. However,

we found instances where internal audits have contributed to improved financial and management control. For example, internal auditors have helped senior management:

- *Eliminate error and abuse.* An internal audit study of a subsidy payment program revealed that approximately \$400,000 had been paid to ineligible claimants. By December 1982 \$184,000 had been recovered. Review of related control systems showed that opportunities existed to improve both the eligibility information provided to potential claimants and the procedures for verifying claims.
- *Clarify guidance.* A compliance audit by central agency auditors revealed that the policy guidance which the agency was providing to ministries was not clear. Better guidance was needed to eliminate inconsistency and ambiguity.
- *Reduce waste.* An internal audit revealed that inadequate procedures for hiring consultants made it difficult for management to determine if it was receiving value for the money spent on consulting fees. In one instance examined in depth, more than \$9,000 had been paid for a report that provided little benefit. As a result of the audit, management has strengthened its contracting procedures.
- *Reinforce accountability.* The same internal audit showed that failure to use appropriate contracting and tendering procedures created the appearance of a conflict of interest. Even if no excessive costs were incurred, the apparent conflict of interest was unacceptable to senior management.

These results demonstrate the benefits of effective and targeted internal audit. We believe that there are many more such opportunities which a strengthened internal audit function should address.

- 7.51 We found that senior managers had typically identified internal control issues or concerns specific to their organization's operations or responsibilities. In some cases their responses indicated that they had given considerable thought to the matter of the issues that their control systems should address. The issues they identified varied from one organization to another. Some specific issues that were frequently mentioned included: the availability, reliability and relevance of financial and non-financial information; the development of computer systems; consistent application of policy in decentralized operations; selection and implementation of capital projects; conflicts of interest; and inefficient paper flow. As well as noting specific control issues, a number of senior managers referred to more general ones such as conflicting, ambiguous or unclear guidance and accountability and maintaining control during a period of transition and restraint.
- 7.52 Few of the senior managers we spoke to identified internal audit as an important source of information about the adequacy of their systems.

- 7.53 Instead, senior managers obtained assurance about their internal control systems from, and based decisions regarding them on, input from other sources. In some cases, ministries had instituted review mechanisms (other than internal audit) to address specific internal control concerns or issues.
- 7.54 Other sources frequently mentioned included routine reports and staff groups (for example, financial officers or budget review officers) both within ministries and from the central agencies. More than half the senior managers we talked to acknowledged that there were limitations to information from these sources, (see box "Real Risks and False Assurance"), and that there would be benefit in obtaining reliable and independent assessments from internal audit.
- 7.55 We agree. We did not attempt to evaluate the management of any ministry or central agency. However, in some cases we question the degree of assurance senior managers might reasonably draw from available sources.
- 7.56 **CONCLUSIONS:** The potential benefits of a stronger internal audit function have been widely recognized and are now reflected in Policy. The role reflected in the Policy will not be fulfilled easily or quickly, particularly in a period of restraint. It has significant implications in terms of developing the audit capacity needed to allow internal auditors to do the amount and kind of work implied by the expansion of their historic role. Senior management support for internal audit will be needed to help internal audit develop its capacity. To earn this support, internal audit will have to demonstrate that it can produce useful results.
- 7.57 Direction of internal audit efforts, and effective and efficient execution of internal audit work undertaken are central to producing useful results with available resources. These topics are discussed further below.

DEVELOPING INTERNAL AUDIT CAPACITY

- 7.58 **INTRODUCTION:** The internal audit function will only be able to fully realize its potential when it has adequate capacity in terms of:
- sufficient capable, professional and motivated staff with appropriate skills; and
 - appropriate standards of performance and formal guidance to help produce consistent, quality audit work.
- 7.59 Without access to appropriate skills, internal audit will be limited in the type of work it can competently undertake. The necessary skills include not only appropriate technical and specialist disciplines but also leadership skills.

REAL RISKS AND FALSE ASSURANCE— THE IMPORTANCE OF RELIABLE ASSESSMENTS

That there are risks of fraud, error, abuse and unproductive effort in an organization like the government of British Columbia can be surmised from the nature of its programs, the complexity of its organization and operations, and the volume of its transactions. Even if everyone, within the government (and with whom the government has business), were competent, honest, hard working and trying to meet management's objectives and expectations—and our experience indicates that the overwhelming majority are—the sheer size of the organization makes it difficult to make sure that management's expectations are clearly understood and followed.

This difficulty is the core of the need for internal control: to make sure that everyone knows what they have to do to use resources productively, prudently and in accordance with acceptable conduct; that they are able to do so; and that the inevitable incidence of error is kept to an acceptable level by appropriate systems of prevention or detection. As well, there may be those willing to abuse weak systems opportunistically or with deliberation.

That the risks of error or abuse are real and that control systems sometimes fail to address them adequately has been illustrated by the example of loss, unacceptable behaviour or unproductive effort which have been documented in the press, our reports and internal studies.

As stated in the text, senior managers base their decisions about whether their systems provide acceptable financial and management control (complete control is neither attainable or desirable) on information from a variety of sources. Valuable as these sources are, they lack the independence, direct reporting and rigorous method of internal audit—and can give a false sense of assurance unless senior management considers carefully their potential shortcomings.

Also as stated in the text, we did not attempt to evaluate the management of any ministry or agency. In some cases, however, we questioned the extent to which senior management would be justified in drawing assurance from their existing sources. This was particularly so where one or more of the following were referred to.

False assurance #1: Not many "breakdowns" have occurred.

Management may not know about all the breakdowns that occur. Frauds have been uncovered fortuitously—as when a bank official questioned irregular or unusual deposits. Other breakdowns—such as where resources are not being used productively—are unlikely to be detected in this way. Unless managers have a method of actively checking for breakdowns they may not be well informed about breakdowns that have occurred.

Further, past experience may not be a good indication of future problems. If underlying systems are weak, the absence of breakdowns in the past provides little assurance that they will not occur in the future.

False assurance #2: No significant weaknesses have been identified.

The degree of reliance that management is entitled to put on the fact that no weaknesses have been brought to their attention depends on the circumstances. First, not all areas that present risks or opportunities may have been subject to review. Second, the reviewer's assessments may have been subject to interpretation or selective reporting. Where significant losses are not known to have occurred, there may be little perceived reason—or incentive—to trouble senior management with the details. Thirdly, how thorough were the reviews? Did they: assess qualitative as well as quantitative issues?; accept reported results at face value without exploring the validity and reliability of measures? Were they performed by advocates of a particular course of action or to meet budget preparation deadlines? Wherever a review is suspect for one reason or another, it may not alert management to the fact that a given area needs improvement.

False assurance #3: A great deal of effort has been devoted to achieving control.

A control system is as strong as its weakest element. The amount expended does not assure control unless control efforts are effectively and appropriately spread over the whole system. This presents particular challenges where responsibility for functions or systems is shared between central agencies and ministries.

We found instances where senior management drew assurance from their knowledge of measures they had taken to control particular aspects or stages of a function. However, they had little reliable information about how (or indeed whether) control was exercised over other, equally important, aspects of the function.

- 7.60 Standards and formal guidance are needed, first because of their "on-the-job" benefit to auditors, particularly those who are not expert in a particular skill or function. Second, they serve as training tools and provide a basis for assessing the performance of internal audit.

SKILLS

- 7.61 Approximately half the internal auditors in the government have earned recognized professional designations involving training in audit skills and a quarter of the remainder are working towards similar designations. Some have had long service in government. To head up newly-formed internal audit groups, a number of ministries have transferred managers from other functions. During our review we met a number of articulate, and intelligent internal auditors who were interested in contributing to better financial and management control.
- 7.62 Overall, however, the skills available restrict the range of work that internal audit can undertake. Certain technical skills, such as systems-based auditing, statistical analysis, operational and computer auditing, are either not available or unevenly distributed. As well, those individuals who have been attracted from other functions to lead internal audit in ministries need support to help them acquire necessary perspectives and audit management skills. Both internal auditors and senior management agreed that the development of skills is particularly important.
- 7.63 Some progress has been made. The IAD has been able to recruit people with computer and systems-based auditing experience. Training has also been provided, usually on an individual basis, to internal auditors. However, we question the value of some of the training provided. For example, one half of the training provided in one group consisted of unsupervised general reading by individual auditors.
- 7.64 No one person is specifically charged with overall responsibility for the training and development of internal auditors in the government. However, at the time of our review, the Office of the Comptroller General, in conjunction with IAD, was considering a proposal for a group training program for internal auditors.
- 7.65 **CONCLUSIONS:** Development or acquisition of appropriate skills represents a critical challenge. The skills needed are not only technical skills, but also a knowledge of government, perspective and audit management skills. Designing a training program that adequately addresses the needs of a relatively small population, with varied backgrounds is a difficult task that must, nevertheless, be addressed. We welcome the initiatives taken. As well, other short-term options, such as the use of external staff to augment in-house skills should be considered.

STANDARDS AND FORMAL GUIDANCE

7.66 At the time of our review, IAD had prepared, and exposed in draft form for comment, Standards for Internal Auditing in the Government of British Columbia. IAD has also undertaken to make its manuals and procedures available to other internal audit groups, some of which did not have their own. These are positive steps. However, guidance on a number of significant matters has still to be developed or acquired. As well, some existing material requires improvement. Examples of particularly pressing matters include:

- audit planning, management and reporting;
- auditing cost sharing claims;
- auditing budgetary control;
- auditing payroll; and
- detecting fraud and abuse.

OVERALL RESOURCES

7.67 Exhibit 1 sets out the number and location of internal auditors in the government of British Columbia. It shows that many ministries, including some with very large organizations and complex systems have minimal or no internal audit staff.

7.68 There is no one, generally accepted measure of the appropriate level of spending on internal audit. We estimate that the government spends approximately \$3 on internal audit for every \$10,000 of budgetary revenue or expenditure. This amount is less than that spent by a number of other governments and corporations. These organizations spend between \$5 and \$10 for every \$10,000 of revenue or expenditure. Comparisons between jurisdictions must be treated with care. Differences in management style, organizational structure, and operational characteristics can affect their validity. However, the amount of the difference indicates that it may not be possible to provide the regular, recurring internal audit coverage of the type contemplated by the Policy on internal audit without substantial additional funding.

7.69 **CONCLUSIONS:** We do not believe that a rapid increase in funding is necessarily the answer. Even if substantial additional funds were available in a time of restraint, past difficulties in recruiting and training staff, the need for improved formal guidance, and the strain that rapid growth places on audit management practices all point to the conclusion that it might be difficult, and not without risk, to attempt too rapid an expansion of internal audit capacity. As well, there are limits to the number of audit recommendations managers can deal with at one time. This consideration is a particularly important one at a time of significant system redevelopment in the government as a whole.

Exhibit 1
Internal Audit Resources

Number and location of professional and technical internal audit staff
31 December 1982

MINISTRIES		CENTRAL AGENCIES	
Name			
● Agriculture and Food	1	● Comptroller General (IAD)	34
● Attorney General	1	● Treasury Board Staff	—
● Consumer and Corporate Affairs		● Government Employee Relations Bureau	—
— Ministry	—	● Public Service Commission	3
— LDB	11	● Queen's Printer	—
● Education	2	● BC Systems Corporation	—
● Energy, Mines and Petroleum Resources	—	● BC Buildings Corporation	—
● Environment	1	● BC Purchasing Commission	—
● Finance (see Comptroller General)	—		
● Forests	1		
● Health	12		
● Human Resources	7		
● Industry and Small Business	—		
● Intergovernmental Relations	—		
● Labour	—		
● Lands, Parks and Housing	—		
● Municipal Affairs	—		
● Provincial Government and Government Services	—		
● Tourism	—		
● Transportation and Highways			
— Transportation Division	2		
● Universities, Science and Communications	—		
	<u>38</u>		<u>37</u>

- 7.70 Accordingly we have not made recommendations that imply an overall increase in funding. We recognize, however, that there may be justification for a moderate increase in internal audit funding for specific organizations in the immediate term. This would be particularly so where senior management could direct internal audit efforts to areas where there are high risks of error or abuse, or significant potential economies, that existing alternative review mechanisms do not adequately address.

SUPPORTING INTERNAL AUDIT AND DIRECTING ITS EFFORTS

- 7.71 **INTRODUCTION:** Whatever its capacity, internal audit cannot be fully effective unless it has the visible support of senior management, and clear overall objectives and sound planning processes to guide the selection of individual audit projects. Weaknesses in these areas can lead to work which does not produce the best attainable returns (in terms of: strengthening internal accountability; identifying opportunities for improving economy and efficiency; and reducing fraud, error or abuse) for the audit costs incurred.
- 7.72 Without support at the senior management level, internal auditors may find it difficult to get the cooperation they need to carry out audits effectively and economically, and they may more easily be diverted from their primary task. Further, their findings may not be given the attention they deserve. Without clear overall objectives and planning processes, based on the needs of senior management, internal auditors may find it difficult to establish audit priorities, develop appropriate audit methods, or know whether they are meeting the expectations of their client. Finally, unless overall objectives have been articulated, senior management may find it more difficult to assess the performance of internal audit.
- 7.73 **OBSERVATIONS:** Steps have been taken that indicate greater management support for internal audit, and which are intended to improve its direction.

Steps indicating support include:

- Some ministries and the Public Service Commission have formed, or upgraded the status of, internal audit groups.

Steps to improve the direction of internal audit include:

- the development of an internal audit Master Plan by IAD in conjunction with ministries and some central agencies; and
- a project by IAD to help establish appropriate terms of reference for internal audit groups in ministries.

- 7.74 These are positive initial steps. The allocation of resources to form internal audit groups provides tangible evidence of senior management support. The Master Plan has provided a better definition of the audit universe (or areas potentially subject to

audit—the basis for selecting audit projects) than had previously existed. The IAD project provides the foundation for exercising functional leadership, and it has the potential to influence significantly senior management support for internal audit. While we welcome these initiatives, which are discussed further below, we noted opportunities to improve them. We believe it is important that these opportunities be acted upon to help develop the capacity of the internal audit function, and to direct its efforts to where it can be most productive.

MANAGEMENT SUPPORT

- 7.75 In some ministries, we noted evidence of increasing senior management interest in, and support for, internal audit—for example, the Ministries of Attorney General, Forests, and Education, and the Public Service Commission have recently formed internal audit groups. The Ministries of Environment and Human Resources have demonstrated senior managements' interest in, and support for, internal audit by upgrading the organizational status of existing internal audit groups.
- 7.76 However, we also noted instances, some involving substantial internal audit groups, where their organizational status and the work they were doing could impair their effectiveness as internal auditors. For example, we encountered instances where:
- Internal auditors had been diverted to other tasks that were incompatible with their audit responsibilities.
 - Internal auditors did not report to the executive level of the organization.
 - Internal auditors were restricted to examining portions of an organization.
 - Internal auditors were operating without either a clear mandate or terms of reference that would communicate management support for internal audit to other members of the organization.
- 7.77 The importance of visible senior management support for internal audit cannot be over emphasized. (See box "Building Internal Audit With Management Support"). Even where a ministry is too small to justify an internal audit group "in-house", senior management support is vital if the benefits of internal audit are to be realized.

OVERALL OBJECTIVES AND AUDIT PLANNING

- 7.78 **INTERNAL AUDIT MASTER PLAN:** The internal audit Master Plan divides the government into approximately 200 "audit units" which represent proposed internal audit projects. It provides a more formal approach to internal audit planning than previously existed. However, it is subject to important limitations that affect its ability to direct internal audit on a government-wide basis.

BUILDING INTERNAL AUDIT WITH MANAGEMENT SUPPORT

The Liquor Distribution Branch (LDB) falls within the Ministry of Consumer and Corporate Affairs. However, for a variety of reasons—Legislative, operational and historical—it operates as a distinct organization, with its own internal audit group.

Achievements claimed for LDB's internal audit group include:

- helping managers to reinforce controls over inventory—LDB claims to have one of the lowest stock "shrinkage" rates of any Canadian liquor distribution branch—through a program in which every store is audited periodically.
- identifying non-compliance with regulations, and incorrect self-assessment of amounts due, by breweries and wineries. One winery audit—costing approximately \$4,500—identified significant non-compliance with regulations. As a result of the audit, the winery paid over \$24,000 in mark-up on sales it should not have made according to the agreement under which it operated. Another audit resulted in similar recoveries of more than \$70,000. Disciplinary proceedings are being taken against a number of wineries as a result of internal audit work.
- identifying ways to ensure better value for money for consulting fees.
- helping managers achieve better control over—and reducing potential for conflicts of interest in—contracting and tendering.

The Chief Internal Auditor attributes the success of internal auditing in large measure to the active and open support of LDB's General Manager. This support is demonstrated, formally and informally, by:

- a clear mandate for internal audit which forms part of the LDB management guide. The mandate briefly specifies the purpose of internal auditing in LDB, the rights of access of internal audit, their independence and the responsibility of managers to respond to internal audit reports. As well the internal audit group has been featured twice in the Branch's newsletter, signalling new directions for internal audit and demonstrating support.
- a direct and active reporting relationship between the General Manager and Chief Internal Auditor. They meet at least once a week for between 5 minutes and an hour. The General Manager takes an active and direct interest in internal audit's plans, activities, findings and resources.

Both the General Manager and the Chief Internal Auditor acknowledge that internal audit capability requires significant further development before it can achieve its full potential in LDB. As well, we noted some opportunities to adopt audit management techniques more appropriate to the size and nature of projects currently being undertaken, and to further improve audit reporting.

Nevertheless, the experience of LDB demonstrates what can be achieved by internal auditors, even at developmental stages, where senior management actively supports internal audit and internal audit earns that support with tangible and useful achievements.

- 7.79 First, it does not approach the identification of internal audit projects from a number of important perspectives—for example, geographic, government-wide or functional. Accordingly, the Master Plan does not specifically address many of the issues identified by senior managers. (Where ministries had developed their own plans for internal audit, they differed from the Master Plan in the size and type of audit specified.) Since some perspectives have not been considered, there is little assurance that priority decisions can be properly made on what to audit.
- 7.80 Second, the Master Plan is acknowledged to be unattainable with current resources. Even if resources were available to carry it out, the Master Plan would not provide for coverage of any unit more often than once every five years. This is not usually regarded as sufficient for sensitive issues.
- 7.81 Third, the Master Plan calls for large audits with broad objectives, which strain audit management capabilities (see paragraphs 7.88 to 7.90). Broadly stated objectives for individual audit projects also make it more difficult to persuade senior management in ministries that the projects will produce useful information, and so

secure their support. (Deputy Ministers had signed off on the Master Plan. However it was clear from our interviews that most regarded it as primarily a central agency matter rather than an important vehicle with the potential to help them discharge their responsibilities for adequate financial and management control systems.)

- 7.82 IAD ASSISTANCE TO MINISTRIES: The IAD has undertaken a project to determine the appropriate size, composition and mandate for internal audit groups in ministries. The first step in this study involved a survey to find out the size, composition and mandate of existing internal audit groups—an essential step toward supplying leadership and direction. The second step calls for IAD to develop proposals for establishing internal audit groups in ministries. At the time of our review, one such proposal had been drafted and was under discussion with the ministry involved.
- 7.83 We observed opportunities to improve this process. First, the approach should be expanded to include fuller consideration of the needs of central agencies, which differ from those of ministries. Second, there is an opportunity to more specifically identify the role and objectives for internal audit in individual ministries, and the issues it should address, than does the Master Plan. Finally, there is a need to consider more fully existing, alternative, review mechanisms.
- 7.84 CONCLUSIONS: The initiatives taken to improve the direction of internal audit address its purpose and planning only in the broad sense. We believe they could be improved by more specifically defining an overall objective or focus for internal audit for individual ministries and agencies. This is because each organization differs in its responsibilities, organizational structure, operations, size and complexity.
- 7.85 Therefore, each places a different emphasis on the issues that its systems of financial and management control must address. For internal audit to be productive and effective, it should be guided to these as specifically as possible. Also, the extent to which existing alternative review mechanisms can provide assurance regarding the adequacy of key control systems varies from organization to organization. Therefore, when determining the terms of reference and focus for internal audit relative to a specific organization, senior management should take into account both the nature of the control issues for that organization and alternative sources of information or review available. (See box "A strategy for guiding internal audit.")

A STRATEGY FOR GUIDING INTERNAL AUDIT

Internal audit is both a part of, and apart from, internal control. If management of both starts from a clear understanding of significant control issues for individual organizations, senior management can be reasonably sure that internal audit will effectively help them manage.

The senior managers we met with were usually concerned about achieving cost effective management and financial control. All were able to identify general or specific control issues relative to their responsibilities and operations. In some cases, their responses indicated that they had given considerable thought to the requirements of their control systems. In others, senior managers were less prepared to identify key control issues. Some were, perhaps, surprised by our expectations. We had, however, difficulty in relating the concerns of management to internal audit projects undertaken or planned.

There is no one way to go about determining an appropriate focus for internal audit, nor is there any single approach to selecting issues internal audit should address. The following presents one approach to identifying significant control issues that may help defining an appropriate role for internal audit.

Identifying Control Issues

By considering the nature of their organization — its structure; the different kinds of expenditures it makes and the circumstances in which they are made; the nature and source of its revenues; the assets it uses and the liabilities it incurs; its dependence on key information, people and functions; and the nature of its relations with the public — senior management can identify the key issues their financial and management control systems should address.

Some control issues are obvious (for example, misappropriation or misuse of property, while others are less so (for example, unreliable or unavailable management information, or inefficient allocation of manpower). Some control issues relate primarily to the risk of one-time occurrences, such as the destruction of a computer master file (although these can be repeated if controls do not ensure their discovery or prevent their concealment). Others, by their nature, relate to the risk of repeated events (such as petty pilferage, or misleading information).

Assessing the Importance of the Issues

Having identified the control issues for the organization, management can decide if they deserve further attention. Assessment of potential impact, controllability, and the adequacy of existing control systems may help in this decision.

Impact: Impact relates not only to the materiality and probability of financial effects, but also to effects on managerial effectiveness and public accountability expectations. The impact of any given issue will vary from one organization to another.

Controllability: The risks involved in some issues are more "controllable" than others. Procedures can be relatively easily designed that provide strong controls over routine transactions where there is adequate time for checking. Others are more difficult to control through such methods. For example, in some circum-

stances, expenditures must be made without delay. Procedures that provide effective checks and balances cannot be applied, because to do so might adversely affect a program's effectiveness.

By assessing both impact and controllability, a profile of significant control issues can be prepared to reflect the circumstances of individual ministries and agencies. For illustrative purposes, we have presented a hypothetical profile of some of the issues identified by senior managers we met with. Clearly, in any given situation, the impact and controllability of any particular issue would be different.

H I G H C O N T R O L L A B I L I T Y L O W	LOW IMPACT—HIGH CONTROLLABILITY	HIGH IMPACT—HIGH CONTROLLABILITY
	- Equipment utilization - Space utilization - Minor purchases - Proper completion of paperwork - Inefficient paper flow	- Capital project selection and implementation - Purchasing - Computer system development - Revenue identification and collection - Consistency of policy application - Resource allocation
	LOW IMPACT—LOW CONTROLLABILITY	HIGH IMPACT—LOW CONTROLLABILITY
	- Abuse of telephone/travel facilities - Minor unintentional errors - Petty theft - Payroll control — auxiliary, acting and temporary staff in remote locations	- Conflicts of interest - Potential corruption - Executive override of controls - Crisis expenditures - Computer system abuse or failure - Personnel assessments / training - Unclear accountability / responsibilities
	LOW	HIGH

Use of the profile

Such a profile could provide a framework to help senior management ask a series of questions regarding their internal control systems and the extent to which existing sources provide them with reliable assurance. In this way, they can identify the most appropriate focus for internal audit in their organization. The following questions are illustrative.

A. For High Controllability Issues

1. Are existing methods of assessing the design and operation of related systems complete and reliable enough so that management is adequately informed?
2. If management is not adequately informed, what is the best available method (internal audit or other) of obtaining a reliable assessment?
3. If possible improvements to control systems are not cost justified, should more frequent review be carried out (by internal auditors or others)?

B. For Low Controllability Issues

1. Do existing review mechanisms provide an adequate means of informing senior management whether or not a problem exists?
2. If problems are known to exist, consider which alternative (more formal procedures, better training or more frequent review) is most appropriate.
3. Where reviews are not telling management what it needs to know, or where more frequent review is indicated, what would be the most appropriate group to carry out reviews? Internal audit, others means of review?

IMPROVING INTERNAL AUDIT EFFICIENCY AND EFFECTIVENESS

7.86 **INTRODUCTION:** To promote efficiency and effectiveness in carrying out individual audit projects, internal audit management and reporting processes should ensure:

- Auditors, senior management and management being audited clearly understand the objectives of the audit.
- The performance of staff carrying out the audit is carefully monitored—both as to the quality of the judgements they make throughout the audit and as to their achievements against plan—by senior audit management.
- Findings are adequately supported and clearly, convincingly and promptly reported to an appropriate level of management.
- Findings are followed-up to determine whether or not corrective action has been taken.

7.87 The audit management and reporting processes used to produce these results will vary, depending on the nature, size and complexity of the audits concerned. Generally, stronger, more structured audit management is indicated where formal guidance is incomplete or where work of an unfamiliar type is being carried out. Where audit management does not adequately address these requirements, resulting audit work may take excessive resources and lack reliability, timeliness or impact.

AUDIT MANAGEMENT

7.88 We found that audit management processes tended to be informal. In small audit groups—where senior audit management is directly involved on a day-to-day basis with the auditors carrying out the work—or where small, routine or repetitive audits are done, such processes may be appropriate. However, such processes would be inappropriate for larger groups or more complex audits. While we observed examples of effective internal audits we also noted instances where deficiencies in audit management and reporting contributed to audits that consumed excessive resources and were of questionable value. For example, we encountered instances in which:

- Audits took up to eight times the budgeted resources to complete.
- Reports were delayed up to two years while senior audit management attempted to correct basic problems in audit approach and execution.
- Auditors had carried out procedures that were not relevant to the audit objectives.
- Audit files did not fully substantiate reported findings.

- 7.89 In these instances the audit management process had not been adequately adapted to the needs of more complex audits. Typically, audits were conducted with only sketchy audit plans. The plans failed to adequately identify key issues and specify how they should be addressed. The staff performing the audit were not adequately guided, and resource requirements could not be forecast with reasonable accuracy. In these instances too, audit management processes used did not adequately specify interim review points and reports, which would have allowed senior audit management to effectively direct and review the work and judgement of their staff. Senior audit management was effectively isolated from audit progress with little real opportunity to affect their outcome until a draft report was written.
- 7.90 Lengthy delays occurred between the first preparation of a draft report and the issue of a final report while senior audit management attempted to resolve basic problems in reports whose authors had been assigned to other projects. These deficiencies and delays not only reduced the usefulness and impact of the reports (to the point where we question whether senior management would have been justified in relying on them), they must also have affected the morale of the auditors who carried out the work.

AUDIT REPORTING

- 7.91 We also noted instances where improvements to the format and content of reports could contribute to more persuasive, useful—and therefore effective—internal audits. We noted instances of inconsistency between conclusions drawn and facts contained in the text; insufficient information to allow the reader to agree or disagree with conclusions drawn; non-disclosure of limitations in the audit scope or approach, which would affect the degree of assurance that readers could reasonably draw; and failure to note responses of the management being audited. As well, we saw opportunities to synthesize the results of audits addressing similar issues to identify broader conclusions than could be drawn from individual audits.
- 7.92 **CONCLUSIONS:** More appropriate audit management and reporting techniques offer significant opportunities to improve the efficiency and effectiveness of some internal audit groups, particularly as they undertake the more complex audits required by the expansion of their role. Not only can these techniques improve the productivity of a scarce resource, they are essential if internal audit is to earn the vital support of senior management.

RECOMMENDATIONS AND RESPONSES

- 7.93 This section of our report presents recommendations for improvement, in each of the three principal areas—developing internal audit capacity, supporting and directing internal audit and improving the efficiency and effectiveness of internal

audit. We have not attempted to provide one standard solution to cover all situations. The diversity of government indicates that such an approach is likely to be unproductive. Accordingly, our recommendations are broad in nature and process oriented. To help managers respond to our report we also present a number of key considerations that should be taken into account as the internal audit function is strengthened. We believe the key to improvement is increased senior management (ministry executive and central agency counterparts) involvement.

RECOMMENDATIONS

7.94 **DEVELOPING INTERNAL AUDIT CAPACITY:** To further the development of internal audit capacity the Executive Director, IAD, should:

- assign specific responsibility for the training and development of internal auditors throughout government at an appropriate level in IAD;
- complete identification of the training and development needs of the internal audit community. The identification should relate both to technical skills needed to address specific issues and leadership skills. Based on the identification of needs, IAD should acquire or develop appropriate formal guidance and deliver training in its use to the internal audit community.

Comptroller General Response—Agreed. The present responsibilities for training and development within Internal Audit Division will be extended to include internal auditors throughout government.

Needs identification within the internal audit community in government will be carried out by the Internal Audit Division. The Internal Audit Division will coordinate with and assist the Public Service Commission in the establishment of suitable training and development initiatives.

7.95 **SUPPORTING AND DIRECTING INTERNAL AUDIT:** To improve support for, and direction of, internal audit, ministries should:

- more formally identify and assess significant control issues for their organizations;
- develop overall objectives and terms of reference for internal audit in their organization, taking into account these control issues and the availability of existing and alternative review mechanisms; and
- provide appropriate reporting relationships for existing internal audit groups.

Comptroller General Response—Agreed. These matters are being addressed in the "Standards for Internal Auditing in the Government of British Columbia" (Standards) presently in final preparation.

- 7.96 Central agencies with responsibilities for specific aspects of financial and management control across government should:

- similarly identify the issues that internal audit should address relative to their responsibilities; and

the Comptroller General should:

- provide support to ministries and other central agencies in this task.

Comptroller General Response—The Internal Master Plan generally identifies the issues that internal audit should address. The plan is developed with the cooperation and assistance of the Office of the Comptroller General, Treasury Board staff and the Deputy Ministers and senior executives of the Ministries. It is revised, where necessary, to meet changes identified by the central agencies or ministries.

- 7.97 The Comptroller General should:

- satisfy himself, on a continuing basis, that proposed methods of evaluating identified issues will allow him to meet his responsibilities under the *Financial Administration Act*.

Comptroller General Response—The Standards for Internal Auditing provide for a quality control review of the methodologies in place within the ministries.

- 7.98 Ministries and the Office of the Comptroller General jointly should:

- select internal control issues that internal audit should address on a priority basis.

Comptroller General Response—This selection process is dealt with in the development of the Internal Audit Master Plan discussed above.

- 7.99 **IMPROVING INTERNAL AUDIT EFFICIENCY AND EFFECTIVENESS:** Not all groups have the same opportunities for improvement. Accordingly, we have not made overall recommendations. Rather we have suggested the need for specific and expanded guidance on supervision and reporting issues in our comments on the draft Standards for Internal Auditing.

Comptroller General Response—Comments received are being considered in the development of the final Standards for Internal Auditing in the Government of British Columbia.

KEY CONSIDERATIONS

- 7.100 **LOCATION OF INTERNAL AUDIT:** The location of internal audit groups should be carefully considered in light of the respective needs of both central agencies and

ministries. Because high trust relationships and senior management support are fundamental to effective internal audit, and because internal auditors need to have a good understanding of the operations they audit, consideration should be given to locating internal audit groups within ministries, wherever practical.

Comptroller General Response—Agreed. Such consideration is being given in draft proposals for the implementation of internal auditing within the ministries.

- 7.101 Where ministries are too small to support a full time internal audit group, or have not yet developed such a group, consideration should be given to prorating funding for internal audit services to those ministries. It would follow that IAD would be put on a cost recovery basis when it carries out audits other than for the Comptroller General. This would allow senior management in those ministries to better exercise options, and reinforce their responsibilities for internal audit.

Comptroller General Response—The matter of the funding of internal audit services in the smaller ministries is presently under consideration. Cost recovery is one of the options being reviewed.

- 7.102 **REPORTING RELATIONSHIPS:** High level reporting relationships help internal auditors to obtain senior management's perspective, demonstrate senior management's support for internal audit, and reinforce internal audits independence. They also help to develop the high trust relationship that internal audit requires. Ideally, the chief internal auditor should report to the Deputy Minister or equivalent. There may be circumstances where this is not practical, depending on the size, structure and operational complexity of the organization. A less desirable alternative is for internal auditors to report to a member of the executive who reports to the Deputy or equivalent. Clearly, where the head of internal audit reports to the Executive Financial Officer, there would be some loss of independence. Where this reporting relationship is adopted the Deputy Minister and IAD, in its exercise of functional authority, should be vigilant for signs of lack of independence and take appropriate action if needed.

Comptroller General Response—The reporting relationships for internal auditing is being dealt with in the development of the Standards. The proposed Standards are generally in agreement with the views expressed here.

- 7.103 **AUDIT COMMITTEES:** We have not made specific recommendations regarding audit committees. We recognize that some ministries have established such groups. Audit committees in government normally consist of members of the executive, chaired by the Deputy or equivalent. Their responsibilities normally include:

- determining whether audit plans adequately consider all aspects of a ministry's operation;
- discussing and assessing the implications of audit findings having ministry-wide impact;

- assessing the adequacy of resources for planned audit coverage;
- advising internal audit of developments within the organization; and
- communicating the role of internal audit to staff.

- 7.104 Audit committees can help to guide and support internal audit and reinforce its independence. The formation of an audit committee, chaired by the Deputy Minister, should be considered particularly where internal audit does not report directly to the Deputy Minister or equivalent.

Comptroller General Response—The function of audit committees and the circumstances under which they can be useful to ministries is being dealt with in the Standards for Internal Auditing.

- 7.105 COORDINATION: Internal audit should not be expected to provide all the information about the design and operation of control systems that managers need to help them ensure that human, physical and financial resources are managed efficiently, effectively and economically and in accordance with policy. In the short term, its capacity is limited. In the longer term, other sources also have a significant role to play. To minimize the audit and review burden, and the risk of gaps and overlaps, ministries and agencies should consider designating the best qualified member of their executive to coordinate the various forms of evaluation activity within their organization. This role is particularly significant where internal audit has not yet adopted a comprehensive audit approach. The importance of this role reflects senior management's ongoing need to satisfy itself that all significant control issues, including those of economy, efficiency and effectiveness, are appropriately addressed.

Comptroller General Reponse—We agree as to the need for coordination between internal audit organizations and the various other forms of evaluation activity. This matter is being addressed in the development of the Standards.

We also see the need for improved coordination of audit activities between the Auditor General and the Internal Audit function.

- 7.106 TERMS OF REFERENCE: The role and responsibilities of each internal audit group should be set out in terms of reference. Terms of reference should:
- clearly state the scope of internal audit in the organization;
 - define the reporting relationships of the group;
 - distinguish between the responsibilities of internal audit, line managers, and other groups carrying out evaluation and review activities; and
 - specify internal audit's rights of access to personnel, information and records and the responsibilities of management to respond to internal audit reports.

- 7.107 The process of developing internal audit terms of reference should include input from senior management to ensure that its needs are well defined and taken into account. As well, the needs of central agencies should be considered. The process should result not only in a statement of scope for internal audit, but also a clear understanding of its focus.
- 7.108 Terms of reference should be periodically updated to ensure that changing circumstances, both in the organization and on a government-wide basis, are adequately considered and incorporated where necessary.

Comptroller General Response—Agreed. Suggested Terms of Reference (Ministry Policy) are included in the above-mentioned Standards. It is our view that such Terms of Reference should be of sufficiently broad scope as to require a minimum of updating.

- 7.109 The role of the internal audit function regarding public bodies and organizations and individuals funded by ministries requires careful consideration. The issue is a complex one, involving not only questions of the extent of the accountability of such organizations, and internal audit's rights of access, but also the extent to which ministries should be entitled to rely on the work of the external auditors of such organizations.
- 7.110 As well, internal audit could be easily drawn into a situation where its audit of the recipients of public funds becomes a substitute for effective control systems. Careful consideration should be given to the role of internal audit in such situations.

Comptroller General Response—Agreed. A recommendation is expected to be made to the Treasury Board in the near future. The role and responsibility of the Comptroller General in this area is outlined in Section 7(2)(c) of the Financial Administration Act and the specific requirement of internal audit is contained in Financial Administration Policy 13.4.7. The issues raised here are currently under consideration by the Office of the Comptroller General.

- 7.111 **SKILLS AVAILABILITY:** The key factor limiting development of the internal audit function is likely to be the availability of skilled people. The changing role of internal audit requires that auditors adopt a broad perspective. As well, a number of recently formed internal audit groups are headed by managers transferred from other functions. The type of high level training and support needed to help them develop a broad perspective and lead internal audit effectively should be carefully considered. At the more technical level, there is a need to consider how best to acquire and deploy specialist skills such as computer auditing and statistical analysis and develop formal guidance that helps relatively unskilled staff address more complex issues. This will require a searching assessment of needs.

Comptroller General Response—Agreed. These issues are being dealt with within the Standards document and will also be dealt with in the needs identification

initiatives outlined earlier. Computer audit needs are especially critical at this time in view of the numerous conversions to and the increasing complexity of EDP systems.

- 7.112 As well, consideration should be given to the long and short term development of internal audit capacity. In the short term, options include the use of outside help, secondment of personnel, and other alternatives. Longer term considerations include career path planning and job attractiveness so that skilled people can be attracted to and retained in the internal audit function.

Comptroller General Response—Agreed. We are certainly aware of the shortage of skilled professional internal audit staff. The matters mentioned have been a part of our deliberations, although the current economic climate and restraint initiatives of the Government are not conducive to the alternatives suggested.

- 7.113 **USE OF OUTSIDE AUDIT STAFF:** Some ministries are probably too small to justify separate internal audit groups. As well, the shortage of skilled internal auditors is likely to be the key limiting factor in developing internal audit capacity. At least at the short term, such ministries may have to use audit staff from outside the organization on a contract basis either to conduct complete internal audit projects or to participate in them.

- 7.114 Performing internal audit with staff from outside the organization, whether from IAD or elsewhere, requires consideration of ways of helping them obtain management's perspective and understanding of the key control issues for the particular organization.

Comptroller General Response—We agree that the use of "contract" staff may be useful in carrying out internal audits. However, under current conditions, this may not be economically feasible or appropriate. In this regard, we would differentiate between "contract" and Internal Audit Division staff in that Internal Audit Division staff may be considered on a cost recovery basis as outlined in paragraph 7.101.

- 7.115 **PERFORMING COMPREHENSIVE AUDITING INTERNALLY:** The policy on internal audit sets the long term goal of a comprehensive approach. The internal audit function has already adopted elements of such an approach. For example, the IAD approach to financial management audit addresses similar areas as our financial management and control audits. Further, a pilot IAD comprehensive internal audit that would include economy and efficiency elements was under consideration at the time of our review. We support this move because it is equally important that non-financial aspects of management systems—such as the reliability of non-financial accountability information—be addressed. There are long and short term implications to implementing comprehensive internal auditing.

- 7.116 In the short term, our own experience, and that of others, stress the importance of more formal audit management techniques and experienced support in undertaking such work. Also, the degree to which full integration of all audit and review activities in an organization is realistic, must be considered in specific circumstances. The internal audit function will have to demonstrate its capabilities before managers will feel justified in integrating existing review activities under its authority. In the longer term, the cost benefit of different types of comprehensive internal audit projects should be kept under review in the light of experience gained.

Comptroller General Response—Agreed. Comprehensive audit methodologies are expensive to implement and, as mentioned, cost benefit factors are of concern. The Internal Audit Division has as an objective, the completion of a pilot project in this regard, subject to availability of resources, including funding.

- 7.117 **DEVELOPMENT OF FORMAL GUIDANCE:** Particularly because certain skills are limited, the development of formal guidance that helps auditors address specific issues that are of concern is an important step. Completion or adoption on a priority basis of relevant audit guides, (some of which have already been identified as needed by IAD) requires urgent attention. As well, consideration should be given to material that would inform managers who are users of, or subject to, internal audit. A further consideration that should be reflected in the development or acquisition of formal guidance (and training in its use) is the ability to synthesize the results of similar audits carried out in different organizations. If standard approaches are used so that different audit groups address common issues in the same way, it would become easier to synthesize summarized findings to produce more meaningful information for central agencies.

Comptroller General Response—Agreed. The Internal Audit Division recognizes the need for the development of audit guides and a standardization of approach to common issues. It will continue to address these concerns on an ongoing basis.

- 7.118 **IMPLEMENTATION CONSIDERATIONS:** Ministries may require assistance determining their internal audit needs based on informal identification and assessment of significant internal control issues. Also central agencies, particularly the Office of the Comptroller General, have a responsibility to satisfy themselves that ministries have reliably identified the most significant issues and that the design and operation of related control systems are reliably assessed. Accordingly, the Office of the Comptroller General should consider providing assistance to ministries and other central agencies in the task of identifying and assessing control issues and internal audit needs.

Comptroller General Response—Agreed. The Policy Implementation Division of the Office of the Comptroller General is currently working with ministries in providing the kinds of assistance suggested relating to control systems and control issues in general.

7.119 **ROLE OF THE IAD:** Currently the IAD has conflicting responsibilities. It is responsible for setting standards, for providing internal audits both for ministry and central agency principals, and for evaluating the quality of internal audits. Although IAD management considers the Policy on internal audit to provide adequate terms of reference, we believe that careful consideration should be given to clarifying IAD's role, focusing on its responsibility for:

- functional leadership and direction (standard setting, training, development and dissemination of methodology, and assistance to and evaluation of ministry audit groups);
- internal auditing that serves the needs of central agency principals, whether through the conduct of specific studies, or by summarizing the results of ministry audits; and
- provision of audit services to ministry principals.

Comptroller General Response—Agreed. The recent draft proposal under development relating to the implementation of Internal Auditing within the ministries will provide a sense of definition to the twofold responsibilities of the Internal Audit Division. The issues relating to functional guidance and functional direction are addressed within the Financial Administration Policies and will be further expanded upon in the Standards currently under development. Further, consideration is being given to audits that deal with central agency and cross-ministry issues, dependent of course, upon the availability of resources.

7.120 To the extent that IAD provides services to ministry principals, it will be in the position of both providing service and evaluating that service. Consideration should be given to reducing the resulting conflict of responsibilities to the extent possible.

Comptroller General Response—The conflict suggested here will not be, in our view, a problem. Division of duties within the Internal Audit Division will ensure that the perceived conflicting responsibilities are minimal.

Part 4
General Matters

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General Matters

Organization and Activities of the Audit Office

STAFF RESOURCES

- 8.1 At 31 December 1982 the Office had a staff of 82, made up of 48 qualified accountants, 26 audit staff enrolled in courses of study leading to professional accounting designations, and 8 administrative staff. Nine professional staff positions remained unfilled.
- 8.2 The Office has an authorized complement of 91. However, in compliance with a request by the Government to effect budget economies during this difficult period, I have agreed to a temporary limitation on staff levels until adequate funding is again made available. This limitation will, of necessity, reduce the scope of audit work that might otherwise have been possible.

ORGANIZATION

- 8.3 Three senior level appointments, and the establishment of a group devoted to special projects were noteworthy features of organizational changes during 1982.
- 8.4 Endre Dolhai, J. Peter Gregory and Terence P. Mackian were appointed audit directors during the year. All had recent extensive experience as audit managers in this Office. They join Frank Barr, Gordon W. Dawson and Robert B. Wallace in the senior management group. These ~~s~~ audit directors, the Deputy Auditor General, Robert J. Hayward and I constitute the Executive Committee of the Office.
- 8.5 The establishment of a special projects group was deemed desirable in order to achieve an appropriate distribution of work assignments, and to ensure that division heads could personally devote the necessary time to their particular client responsibilities.

TRAINING AND OTHER ACTIVITIES

- 8.6 In 1978, soon after its establishment, the Office was approved by the Institute of Chartered Accountants of British Columbia to train students in chartered accountancy. In order to carry out this function it was necessary to demonstrate that the auditing work performed by the Office was of a high professional standard. In addition, a suitable training program was developed, based on the auditing approach and standards adopted by the Office.

- 8.7 Since this program's inception a total of eight students who received their training with the Office have written the uniform final examinations of the Canadian Institute of Chartered Accountants. Of these, seven have passed the examinations and are now qualified chartered accountants. We are all proud of the efforts and success of our students in this program, since this passing rate is considerably above the provincial and national averages.
- 8.8 As well, since the inception of our training program, four students have successfully completed the programs of either the Certified General Accountants Association or the Society of Management Accountants, and have been awarded their professional designations.
- 8.9 The professional development program for qualified staff of the Office continues to provide training in accounting, auditing, computer technology and management skills.
- 8.10 Members of my staff are actively involved in the affairs of various professional associations which relate to the work of the Office, including the Institute of Chartered Accountants of British Columbia, the Financial Management Institute of Canada, and the Victoria Chartered Accountants Association.

ACCOUNTING AND AUDITING RESEARCH

- 8.11 During the year the Office continued its research efforts in the fields of government accounting and auditing.
- 8.12 With respect to government accounting, I served until September 1982 as a member of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants. This Committee has issued its first research exposure draft, and continues its worthwhile research work. In addition, I served on the Board of Governors of the Canadian Comprehensive Auditing Foundation until October 1982.
- 8.13 Within our Office, a major review of the methodology used in our audits of the financial statements of the Province and of public bodies has begun. The objective is to ensure that the latest and most appropriate auditing concepts, including recent developments in computer capabilities and techniques, are encompassed in the auditing policies and practices of the Office.
- 8.14 We have continued the work of developing our comprehensive auditing capability. Two major projects were completed this year and are dealt with in this Report. In addition, work of a broad scope nature is underway or planned in a number of audit areas.

SPECIAL REPORT

- 8.15 A special report on the expenditures of the Minister of Consumer and Corporate Affairs from 6 January 1981 to 31 March 1982 was tabled in the Legislative Assembly on 23 July 1982.

Canadian Conference of Legislative Auditors

- 8.16 The tenth annual meeting of the Canadian Conference of Legislative Auditors was held in Victoria in July 1982. This informal association, comprising the legislative auditors of all the provinces and Canada, has served since its inception as a means of furthering the exchange of information important to those in the field of legislative auditing. Various senior members of my staff attended as participants and observers.
- 8.17 As in recent years, a full morning session was spent in discussion with representatives of Canadian Public Accounts Committees who were also meeting in Victoria at that time.
- 8.18 Among the guest speakers and participants at the meetings were: The Honourable Hugh A. Curtis, Minister of Finance of British Columbia; Ernest Hall, M.L.A., Chairman of the Public Accounts Committee of British Columbia; T. Patrick Reid, M.P.P., Chairman of the Public Accounts Committee of Ontario; Kenneth M. Dye, Auditor General of Canada; Dennis F. Culver, President of the Canadian Institute of Chartered Accountants; and the late James J. Macdonell, founding Chairman of the Canadian Comprehensive Auditing Foundation and former Auditor General of Canada.

Public Accounts Committee

- 8.19 Under provisions of the *Auditor General Act* I report annually to the Legislative Assembly on the work of my Office. This Report is referred to the Public Accounts Committee, which traditionally enquires into matters contained in the Report.
- 8.20 My Annual Report for the fiscal year ended 31 March 1981 was tabled in the Assembly on 7 April 1982. Discussion of matters contained in the Report began at the first regular meeting of the Committee on 3 May 1982, and continued for portions of two other meetings. The Committee met a total of 11 times during the 1982 session of the Legislature. I attended all regular meetings of the Committee.

Advisory Council

- 8.21 Many complex matters must be considered in the course of the audit of the accounts of the Province. I am assisted in this regard by a small group of senior members of the accounting profession who serve on the Auditor General's Advisory Council:

Michael J. Ashby, F.C.A.

Arthur Beedle, F.C.A.

Harold G. Craven, F.C.A.

Dennis F. Culver, F.C.A.

Ronald W. Park, F.C.A.

Denham J. Kelsey, F.C.A.

I appreciate the contribution made by this Council to the work of my Office.

Appendices



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Appendix I

Sections of the *Auditor General Act* Relevant to the Responsibilities of the Auditor General

EXAMINATION OF ACCOUNTS

6. (1) The Auditor General shall examine in the manner he considers necessary the accounts and records of the government relating to the consolidated revenue fund and all public money, including trust and special funds under the management of the government, and to public property.

(2) Notwithstanding any other Act, the Auditor General

- (a) shall be given access to the records of account and administration of any ministry; and
- (b) may require and receive from any person in the public service, information, reports and explanations necessary for the performance of his duties.

REPORT ON FINANCIAL STATEMENTS

7. (1) The Auditor General shall report annually to the Legislative Assembly on the financial statements of the government, including those required by section 8 (2) of the *Financial Administration Act*, respecting the fiscal year then ended.

(2) The report shall form part of the public accounts and shall state

- (a) whether he has received all of the information and explanations he has required; and
- (b) whether in his opinion, the financial statements present fairly the financial position, results of operations and changes in financial position of the government in accordance with the stated accounting policies and as to whether they are on a basis consistent with that of the preceding year.

(3) Where the report of the Auditor General does not contain the unqualified opinion required under this section, the Auditor General shall state the reasons why.

ANNUAL REPORT

8. (1) The Auditor General shall report annually to the Legislative Assembly on the work of his office and call attention to anything resulting from his examination that he considers should be brought to the attention of the Legislative Assembly including any case where he has observed that

- (a) accounts have not been faithfully and properly kept or public money has not been fully accounted for;
- (b) essential records have not been maintained;
- (c) the rules, procedures or systems of internal control applied have been insufficient
 - (i) to safeguard and protect the assets of the Crown;

- (ii) to secure an effective check on the assessment, collection and proper allocation of the revenue;
 - (iii) to ensure that expenditures have been made only as authorized; or
 - (iv) to ensure the accuracy and reliability of the accounting data; or
- (d) public money has been expended for purposes other than for which it was appropriated by the Legislature.
- (2) In the report the Auditor General may also include an assessment
 - (a) as to whether the financial statements of the government are prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure; or
 - (b) as to whether any program being administered by a ministry is being administered economically and efficiently.

TRIVIAL MATTERS

9. The Auditor General need not report to the Legislative Assembly on any matter he considers immaterial or insignificant.

SUBMISSION OF ANNUAL REPORT

10. (1) A report of the Auditor General to the Legislative Assembly shall be submitted by him through the Minister of Finance.

(2) On receipt of a report of the Auditor General, the Minister of Finance shall lay the report before the Legislative Assembly as soon as possible.

(3) If the Minister of Finance does not lay the report before the Legislative Assembly on the first sitting day following the receipt of the report by him, the Auditor General shall transmit the report to the Speaker and the Speaker shall lay the report before the Legislative Assembly.

(4) On being laid before the Legislative Assembly, the annual report of the Auditor General shall be referred to the Public Accounts Committee of the Legislative Assembly.

SPECIAL REPORT

11. The Auditor General may at any time make a special report to the Legislative Assembly on a matter of primary importance or urgency that, in his opinion, should not be deferred until he makes his annual report.

OTHER REPORTS

12. The Auditor General may at any time make a report to the Minister of Finance, the Treasury Board, the Lieutenant Governor in Council, or any public officer on any matter that in the opinion of the Auditor General should be brought to his or their attention.

SPECIAL ASSIGNMENTS

13. The Auditor General may undertake special assignments at the request of the Lieutenant Governor in Council, but he is under no obligation to carry out any requested assignment if, in his opinion, it would interfere with his primary responsibilities.

STAFF IN MINISTRIES

14. (1) The Auditor General may station in any ministry a person employed in his office to enable him to more effectively carry out his duties, and the ministry shall provide the necessary office accommodation for a person so stationed.

(2) The Auditor General shall require every person employed in his office who is to examine the accounts or the administration of a ministry pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that ministry.

INQUIRY POWERS

15. The Auditor General may examine any person on oath on any matter pertaining to his responsibilities and for that examination the Auditor General has all the powers, protection and privileges of a commissioner under sections 12, 15 and 16 of the *Inquiry Act*.

PUBLIC BODIES

16. (1) Notwithstanding any other Act, where the Auditor General is not the auditor of a public body,

(a) the public body shall, on the request of the Auditor General, supply the Auditor General with a copy of all financial statements and reports relating to the public body;

(b) the auditor of the public body shall, on the request of the Auditor General, within a reasonable time, make available to the Auditor General, all working papers, reports and other documents in his possession relating to the public body; and

(c) the Auditor General may conduct examinations of the records and operations of the public body he considers necessary or advisable to carry out his duties under this Act.

(2) Notwithstanding any other Act, the Auditor General

(a) shall be given access to the records of account and administration of any public body; and

(b) may require and receive from any officer or employee of a public body information reports and information necessary for the performance of his duties.

ELIGIBILITY AS AUDITOR

17. Notwithstanding any other Act, the Auditor General is eligible to be appointed the auditor, or a joint auditor, of a Crown corporation, Crown agency or public body.

TRANSFER OF AUDIT DUTIES

18. The Lieutenant Governor in Council may transfer to the Auditor General the duty imposed by any Act on the Comptroller General to conduct an audit.

Appendix II

Public Bodies, of Which the Auditor General was not the Appointed Auditor, Whose Financial Statements are Included in Section F of the Public Accounts

British Columbia Buildings Corporation
British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Housing Management Commission
British Columbia Hydro and Power Authority
British Columbia Petroleum Corporation
British Columbia Railway Company
British Columbia Steamship Company (1975) Ltd.
British Columbia Systems Corporation
Discovery Foundation
Housing Corporation of British Columbia
Insurance Corporation of British Columbia
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited
Science Council of British Columbia
Surrey Farm Products Investments Ltd.
Universities Council
Urban Transit Authority



Appendix III

Sections B and C of the Public Accounts

The material which forms Appendix III is an excerpt from the Public Accounts of British Columbia for the fiscal year ended 31 March 1982.



SECTION B

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

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**COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
(CONSOLIDATED REVENUE FUND)**

PREAMBLE

For the second successive year, revenue—except for certain tax revenue—and expenditure are recorded in the Public Accounts on the accrual basis of accounting whereby revenue earned and expenditure incurred during the fiscal year are reported regardless of the date of their receipt and payment.

Similarly, the activities of the General Fund and Special Purpose Funds, comprising the transactions and balances of the Consolidated Revenue Fund, have been combined in a single set of financial statements for reporting purposes. In these Combined Financial Statements, the transfers between the General Fund and the Special Purpose Funds have been eliminated, but General Fund figures have been reported separately in order to provide a comparison of actual General Fund revenues and expenditures to that presented in the 1981/82 Estimates of Revenue and Expenditure and to ensure the reporting of General Fund expenditures is consistent with legislative authority.



**REPORT OF THE AUDITOR GENERAL
ON THE COMBINED FINANCIAL STATEMENTS
INCLUDED IN THE PUBLIC ACCOUNTS
OF THE PROVINCE OF BRITISH COLUMBIA**

*To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia*

I have examined the financial statements of the Combined General Fund and Special Purpose Funds (Consolidated Revenue Fund) of the Government of the Province of British Columbia for the fiscal year ended March 31, 1982 as presented in Section B of the Public Accounts, and the related supplementary statements contained in sub-sections B26 through B57. These financial statements are:

Combined Balance Sheet
Combined Statement of Net Equity
Combined Statement of Operating Results
Combined Statement of Changes in Cash and
Temporary Investments
Notes to Combined Financial Statements

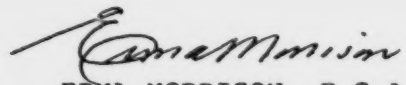
With respect to the supplementary statements, I did not examine and do not express an opinion on the figures reported in Combined General Fund and Special Purpose Funds Revenue by Sources (B26) and Expenditure by Function (B28) for the fiscal years ended March 31, 1979 and 1980.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these combined financial statements present fairly the financial position of the Government of the Province of British Columbia as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended on a combined basis in accordance with the stated accounting policies as set out in Note 1 to the combined financial statements applied on a basis consistent with that of the preceding year.

- 2 -

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1982

COMBINED BALANCE SHEET AS AT MARCH 31, 1982

	1982	1981
ASSETS	\$	\$
Cash and temporary investments (note 3)	832,054,246	833,308,989
Accounts receivable (note 4)	435,682,973	356,852,098
Due from Crown corporations and agencies (note 5)	97,185,874	75,525,986
Mortgages receivable (note 6)	184,153,762	182,929,682
Prepaid program costs (note 7)	34,218,827	
Inventories (note 8)	38,110,585	37,829,254
Investments in and advances to Crown corporations (note 9)	273,254,548	275,587,661
Property under development (note 10)	66,006,762	69,634,858
Fixed assets	1	1
Other assets (note 11)	286,388,914	332,101,290
	<u>2,247,056,492</u>	<u>2,163,769,819</u>
LIABILITIES		
Accounts payable and accrued liabilities	473,828,491	240,604,225
Deferred revenue (note 12)	69,813,881	9,630,000
Unmatured debt (note 13)	183,147,790	209,247,790
	<u>726,790,162</u>	<u>459,482,015</u>
NET EQUITY		
Net equity	1,520,266,330	1,704,287,804
	<u>2,247,056,492</u>	<u>2,163,769,819</u>
TRUST FUNDS UNDER ADMINISTRATION (notes 2 and 14)		
Superannuation and pension funds	3,965,633,079	3,134,161,266
Trust funds	3,139,022,279	2,037,152,002
	<u>7,104,655,358</u>	<u>5,171,313,268</u>
CONTINGENT LIABILITIES		
Guaranteed debt (note 15)	<u>9,943,378,155</u>	<u>8,287,209,507</u>
Other (note 16)		

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Ministry of Finance:

L. I. BELL

Deputy Minister of Finance and Secretary of Treasury Board

D. B. MARSON

Acting Comptroller General

**COMBINED STATEMENT OF NET EQUITY
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

	1982			1981
	Appropriated Assets	Unappropriated Assets	Total	Total
	\$	\$	\$	\$
Net Equity—Beginning of Year	1,377,456,875	326,830,929	1,704,287,804	1,961,022,349
Flows During Year				
Net revenue (expenditure) for the year.....	(120,830,653)	(63,190,821)	(184,021,474)	(256,734,545)
Amounts transferred between the General Fund to Special Purpose Funds during the year (net).....	233,631,313	(233,631,313)		
	112,800,660	(296,822,134)	(184,021,474)	(256,734,545)
Net Equity—End of Year	1,490,257,535	30,008,795	1,520,266,330	1,704,287,804

Net equity is represented by assets which have been appropriated for specific purposes and assets which are unappropriated and available for future appropriation.

Unappropriated assets are comprised of the cash and temporary investments, accounts receivable and inventories less accounts payable and accrued liabilities of the General Fund. All other assets of the General Fund less unmatured debt, and all assets less liabilities of the Special Purpose Funds are considered to be appropriated.

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Estimates 1982	1982		1981	
	General Fund	Special Purpose Funds	Adjustments For Transfers Between General Fund and Special Purpose Funds	Total
	\$	\$	\$	\$
Revenue				
Taxation	3,974,000,000	916,587	4,216,695,833	3,008,570,884
Natural resources	677,000,000	141,593	598,369,455	862,370,360
Other	411,400,000	487,855,706	(359,168,275)	532,521,254
Contributions from government enterprises	364,000,000	326,520,210	326,520,210	293,115,747
Contributions from other governments	1,210,000,000	1,115,154,993	1,115,154,993	1,106,146,797
Total revenue	6,636,400,000	488,913,886	(359,168,275)	5,902,725,042
Expenditure				
General government	304,000,000	1,461,355	303,263,660	255,442,427
Protection of persons and property	318,200,000	253,516	318,726,945	286,198,358
Transportation and communications	574,200,000	21,851,886	646,789,377	555,423,290
Health and social services	2,824,200,000	26,331,170	2,898,735,753	2,503,708,264
Recreation and cultural services	65,400,000	15,251,565	76,174,313	77,618,158
Education	1,525,800,000	1,549,947,904	1,549,947,904	1,317,935,924
Natural resources and primary industries	334,200,000	394,576,270	487,545,227	362,898,231
Trade and industrial development	162,100,000	84,961,918	86,331,138	77,394,999
Housing	61,600,000	91,483,943	113,453,034	117,777,536
Aid to local government	383,200,000	358,863,984	361,311,119	297,011,894
Interest on public debt	16,900,000	16,917,773	16,917,773	19,299,398
Grants and contributions	13,200,000	83,151,155	136,510,050	105,838,889
Other	27,300,000	110,221,589	(97,359,047)	82,912,219
Total expenditure	6,610,300,000	577,973,330	(359,168,275)	6,059,459,587
Net Revenue (Expenditure) for the Year	26,100,000	(89,059,444)	(184,021,474)	(256,734,545)

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF CHANGES IN CASH AND TEMPORARY INVESTMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982

	1982 \$	1981 \$
Balance—Beginning of Year	<u>833,308,989</u>	<u>1,148,817,408</u>
Operating Transactions		
Revenue	6,903,448,673	5,802,725,042
Expenditure	<u>7,087,470,147</u>	<u>6,059,459,587</u>
Net expenditure	(184,021,474)	(256,734,545)
Add: non-cash items included in net revenue (see below)	157,471,916	87,845,153
cash items applicable to future operations (see below)	<u>25,965,054</u>	<u>9,630,000</u>
Used for operations	(584,504)	(159,259,392)
Financing Transactions		
Receipts:		
Mortgage principal repayments	25,422,169	46,415,710
Repayment of investments in and advances to Crown corporations	63,137,407	29,544,863
Property sales—net	3,628,096	4,465,244
Repayments of other assets	<u>32,816,644</u>	<u>3,279,609</u>
	125,004,316	83,705,426
Payments:		
Mortgages issued	26,646,249	16,441,028
Investments in and advances to Crown corporations	60,804,294	1,909,475
Investments in other assets	12,124,012	195,503,950
Debt retirement	<u>26,100,000</u>	<u>26,100,000</u>
	125,674,555	239,954,453
Used for financing transactions	(670,239)	(156,249,027)
Decrease in Cash and Temporary Investments	<u>(1,254,743)</u>	<u>(315,508,419)</u>
Balance—End of Year	<u>832,054,246</u>	<u>833,308,989</u>
Non-Cash Items Included in Net Revenue:		
Change in accounts receivable	(78,830,875)	22,968,800
Change in due from Crown corporations	(21,659,888)	18,244,078
Change in inventories	(281,331)	(1,990,667)
Change in accounts payable	233,224,266	22,433,197
British Columbia Resources Investment Corporation		
Revaluation of shares		22,004,858
Donation of shares	25,019,744	
Provision for University Endowment Lands advance		4,184,887
	<u>157,471,916</u>	<u>87,845,153</u>
Cash Items Applicable to Future Operations		
Change in prepaid program costs	(34,218,827)	
Change in deferred revenue	<u>60,183,881</u>	<u>9,630,000</u>
	<u>25,965,054</u>	<u>9,630,000</u>

This statement shows how the activities of the Province have been financed including:

- the extent to which funds have been generated from operating transactions (being those activities which affect operating results) and financing transactions (being those activities which affect assets and liabilities but not the operating results);
- how the financial resources of the Province have been used; and,
- the effects of these activities on the liquid funds (being cash and temporary investments) of the Province.

The accompanying notes are an integral part of these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982

1. Significant Accounting Policies

REPORTING ENTITY

These financial statements include the accounts of the Consolidated Revenue Fund and of certain funds deposited with and administered by the Minister of Finance pursuant to various statutes. They do not include the accounts of Crown corporations, except to the extent of investments or advances which are carried at the lower of cost or underlying net book values. Separate consolidated financial statements of the Province have been prepared which include the activities of certain of these entities. (See Section C).

For purposes of these financial statements the accounts of the Province are presented as one Consolidated Revenue Fund, which is comprised of:

General Fund—this includes the main operating accounts of the Province; it includes all transactions of the Government not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission; and

Special Purpose Funds—these include earmarked revenues and funds set aside from the General Fund for specific or special purposes.

In addition, the accounts disclose, on a memorandum basis, Trust Funds Under Administration, which comprise monies administered by the Government but over which it has no power of appropriation and includes trust deposits, sinking funds, certain assurance funds and superannuation funds.

PRINCIPLES OF COMBINATION

The accounts of the Special Purpose Funds have been combined with the General Fund after adjusting them to a basis consistent with the accounting policies as described below. In order to maintain the reporting of General Fund expenditures consistent with legislative authority, inter-fund revenue and expenditure transactions from these various appropriations have not been eliminated from the General Fund accounts (detailed in Section B), but they have been eliminated from both accounting entities upon combination.

BASIS OF ACCOUNTING

The accrual basis of accounting is used which, for these financial statements, is specifically expressed as follows:

Revenue:

Payments to the Province from the Federal Government under the *Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, including certain taxes on income, are recorded on a cash basis because of the impracticality and uncertainty involved in their estimation. With this exception, all other revenue received into the General Fund and Special Purpose Funds and to which the Government is entitled is recorded in these accounts and, at year-end, where the Government has a legal claim upon outside parties, all amounts are recorded provided the amount has been earned.

Expenditure:

All expenditure, including the cost of fixed assets, has been recorded for all goods received and services rendered during the year and, at year-end, where the Government has recorded its obligation to outside parties, the amounts are recorded provided an invoice has been received or the expenditure can be reasonably estimated. Accumulated employee sick leave, vacation and other entitlements are recorded as expenditure in the accounts when they are paid.

Assets:

All assets are recorded to the extent that they represent claims of the Government upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Consistent with the reporting of fixed assets as expenditure, highways, bridges, wharves, ferries and ferry landings, buildings, office equipment, furniture, automobiles and 76 million hectares (293,000 square miles) of Crown land comprised of parks, forests and all other publicly held land in the Province are recorded at a nominal value of \$1. Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets are reported as expenditure at the dates of inception of the leases.

Liabilities:

All liabilities are recorded to the extent they represent claims payable by the Government to outside parties as a result of events and transactions prior to the year-end.

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the exchange rate prevailing at the year-end. Adjustments arising as a result of foreign currency translation are charged or credited to expenditure at the time the adjustments arise.

CASH AND TEMPORARY INVESTMENTS

Cash balances are shown after deducting outstanding cheques issued prior to the year-end; those issued subsequent to the year-end relating to the previous year are included with accounts payable.

Temporary investments are recorded at the lower of cost or market value.

ACCOUNTS RECEIVABLE

Accounts receivable represent only valid accounts receivable from outside parties. Provision is made where collectibility is considered doubtful.

DUE FROM CROWN CORPORATIONS AND AGENCIES

Amounts due from Crown corporations and agencies represent short-term investments and advances which will be realized in the following year. No provision for doubtful collection has been considered necessary with respect to these accounts.

MORTGAGES RECEIVABLE

Mortgages receivable comprise mortgages secured by real estate and repayable over periods ranging up to thirty years; provision is made where collectibility is considered doubtful.

PREPAID PROGRAM COSTS

Prepaid program costs represent amounts disbursed prior to the year-end in payment of program costs that will be recorded as expenditures in subsequent fiscal years.

INVENTORIES

Inventories comprise items held for resale and are valued at cost; inventories of supplies are charged to the respective programs when the cost is incurred.

INVESTMENTS IN AND ADVANCES TO CROWN CORPORATIONS

Investments in and advances to Crown corporations represent long-term investments and are recorded at cost, unless significant impairment in value has occurred since the acquisition date, in which case they are written down to recognize this loss in value.

PROPERTY UNDER DEVELOPMENT

Property under development is comprised of all property which will eventually be sold to outside parties; such property is recorded at original cost together with related development costs incurred since acquisition less a provision for future losses.

OTHER ASSETS

Other assets include loans, investments and advances which are considered to be recoverable; they are recorded at the lower of cost or net realizable value.

DEFERRED REVENUE

Deferred revenue represents amounts received prior to the year-end in payment of revenue that will be earned in subsequent fiscal years.

2. Change in Accounting Policy

In previous years Trust Funds Under Administration were maintained on the cash basis whereby revenues were taken into the accounts in the fiscal period in which they were received and expenditures were charged when the actual payments were made.

In accordance with the Government's new accounting policy, these Funds are now maintained on the accrual basis of accounting. Had these Funds been maintained on the accrual basis during the year ended March 31, 1981 they would have amounted to \$5,314,892,657.

This change in accounting policy, which has not been applied to the comparative figures for the year ended March 31, 1981, has no effect on the operating results of the Government.

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

3. Cash and Temporary Investments

	1982	1981
Cash	\$	\$
Cash overdrawn at chartered banks in Canada	(165,815,321)	(193,467,785)
Cash in banks in England	8,267	124,893
Cash overdrawn at banks in United States	(282,504)	106,831
Cash on hand	17,777	105,261
	(166,071,781)	(193,130,800)
Temporary investments	1,094,394,250	1,154,778,014
	928,322,469	961,647,214
Less amounts applicable to Trust Funds	(96,268,223)	(128,338,225)
	<u>832,054,246</u>	<u>833,308,989</u>

Other than statutory requirements or administrative policies which specifically provide for the maintenance of separate bank accounts, the Government's cash balances and temporary investments are all held in General Fund bank and investment accounts. This facilitates cash management and administration, although interest due to funds other than the General Fund is allocated or paid to those funds at market rates. At year-end, balances applicable to funds outside the Consolidated Revenue Fund are deducted from the General Fund balance and reported in the other fund accounts.

Included in temporary investments are marketable securities which cost \$52,950 (1981: \$238,421,675) and which have a quoted market value of \$52,828 (1981: \$236,509,731), bonds and notes of certain Crown corporations amounting to \$276,464,704 (1981: \$82,131,562), and securities in other financial institutions of \$817,876,596 (1981: \$836,205,461).

4. Accounts Receivable

	1982		1981	
	Gross	Provision For Doubtful Accounts	Net	Net
	\$	\$	\$	\$
Government of Canada—				
Shared-cost programs	55,634,992	221,909	55,413,083	80,249,081
Other	1,948,030		1,948,030	129,625
British Columbia municipalities—re: shared-cost programs	3,217,029	131,743	3,085,286	3,499,488
Taxes receivable	187,440,144	1,327,963	186,112,181	142,484,373
Timber royalty and stumpage and grazing fees	40,031,795	853,168	39,178,627	12,350,377
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	54,677,852	14,054	54,663,798	41,725,801
Ministerial advances and sundry agencies	4,466,758		4,466,758	4,151,442
Trade accounts and other receivables of the—				
Crown Land Fund	24,866,190		24,866,190	24,332,605
British Columbia Liquor Distribution Branch	680,165		680,165	702,657
Provincial Home Acquisition Fund	3,405,000		3,405,000	
Queen's Printer	335,057		335,057	252,350
Lottery Fund	3,108,664		3,108,664	2,923,945
Farm Income Assurance Fund	14,661,380		14,661,380	
Accrued interest receivable	23,058,761	20,661	23,038,100	28,029,483
Land sales—principal	5,114,858	20,110	5,094,748	1,110,672
Water and power licence fees	348,760		348,760	2,240,907
Court fees	6,851,230	342,561	6,508,669	5,181,431
Sundry fees	22,618,434	14,259,819	8,358,615	5,067,120
Miscellaneous accounts receivable	920,391	510,529	409,862	2,420,741
	<u>453,385,490</u>	<u>17,702,517</u>	<u>435,682,973</u>	<u>356,852,098</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

5. Due From Crown Corporations and Agencies

	1982	1981
	\$	\$
British Columbia Assessment Authority		2,280,671
British Columbia Buildings Corporation	20,524,109	17,448,860
British Columbia Development Corporation	6,101	14,403
British Columbia Educational Institutions Capital Financing Authority	1,110,067	
British Columbia Ferry Corporation	3,289,072	2,490,852
British Columbia Housing Management Commission		55,041
British Columbia Hydro and Power Authority	8,323,878	3,215,402
British Columbia Petroleum Corporation	56,901,204	41,984,837
British Columbia Place Ltd.		(1,496,435)
British Columbia Railway Company		15,086
British Columbia School Districts Financing Authority	6,753	
British Columbia Steamship Company (1975) Ltd.		26,005
British Columbia Systems Corporation	2,844,246	1,983,074
Insurance Corporation of British Columbia	920,986	(2,248,666)
Medical Services Commission of British Columbia	359,215	1,587,305
Metro Transit Operating Company		627,903
Public Service Superannuation Fund		1,239,771
Urban Transit Authority		20,813
Workers' Compensation Board of British Columbia	1,518,128	1,789,337
Other agencies	1,382,115	4,491,727
	<u>97,185,874</u>	<u>75,525,986</u>

6. Mortgages Receivable

	1982	1981
	\$	\$
Crown Land Fund—first mortgages, fully secured, with terms of up to 30 years and interest rates varying from 4% to 22¼%	34,753,258	21,646,519
Provincial Home Acquisition Fund—first and second mortgages pursuant to the <i>Provincial Home Acquisition Act</i> and the <i>Home Conversion and Leasehold Loan Act</i> , fully secured, with terms of up to 25 years and interest rates varying from 8¼% to 15% (net of provision for doubtful recoveries of \$200,000)	149,400,504	161,283,163
	<u>184,153,762</u>	<u>182,929,682</u>

7. Prepaid Program Costs

	1982	1981
	\$	\$
<i>Guaranteed Available Income for Need Act</i>	32,676,327	
Other prepaid program costs	1,542,500	
	<u>34,218,827</u>	

1981 comparative amounts have been included in 1981 expenditures, with no material effect on operating results for the year.

8. Inventories

	1982	1981
	\$	\$
British Columbia Liquor Distribution Branch	35,175,457	28,741,009
Ministry of Education	244,019	5,725,129
Ministry of Environment	406,355	467,000
Ministry of Health	2,251,122	2,896,116
Ministry of Labour	33,632	
	<u>38,110,585</u>	<u>37,829,254</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

**9. Investments in and Advances
to Crown Corporations**

	1982			1981
	Shares and Other Investments	Advances	Total	Total
	\$	\$	\$	\$
British Columbia Buildings Corporation.....	105,132,734		105,132,734	137,346,873
British Columbia Cellulose Company.....	2		2	2
British Columbia Development Corporation....	42,500,000		42,500,000	42,500,000
British Columbia Ferry Corporation.....	5,849,700		5,849,700	5,849,700
British Columbia Harbours Board.....		10,000,000	10,000,000	18,838,693
British Columbia Housing Management Com- mission.....		4,609,474	4,609,474	4,909,475
British Columbia Hydro and Power Authority.	8,070,096		8,070,096	8,070,096
British Columbia Place Ltd.....	1		1	
British Columbia Railway Company.....	10,235,001		10,235,001	10,235,001
British Columbia Steamship Company (1975) Ltd.....	5		5	5
British Columbia Systems Corporation.....				10,000,000
Housing Corporation of British Columbia.....	1		1	1
Pacific Coach Lines Ltd.....	2		2	2
Provincial Rental Housing Corporation.....	633,511	31,224,020	31,857,531	37,837,812
Surrey Farm Products Investments Limited.....	1		1	1
Urban Transit Authority.....		55,000,000	55,000,000	
	<u>172,421,054</u>	<u>100,833,494</u>	<u>273,254,548</u>	<u>275,587,661</u>

(a) Recorded Investments

The above amounts are the Province's recorded investments and advances to Crown corporations. The entire issued capital stock for each of the above recorded investments is owned by the Province. In addition, a number of other Crown corporations and agencies exist in which the Province has no recorded investment. Crown corporations and agencies are listed in Note 1 to the Consolidated Financial Statements.

(b) British Columbia Railway Company

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares is \$230,572,900 and, at March 31, 1982 the amount of the debt guaranteed by the Province (net of sinking funds) was \$757,035,717.

During the year ended March 31, 1980, in view of the cumulative deficit of the Railway, the Province's investment, which amounted to \$185,572,900 at March 31, 1980, was written down to one dollar. An additional investment of \$45 million made in March, 1982 has been written off and is reflected as an expenditure for the year. (see note 16 (c)).

During the year the Government provided \$70 million to be applied against the historic debt service charges of the Railway for its fiscal year ended January 1, 1982. The Government has provided \$70 million from the General Fund to be applied against historic debt service charges of the Railway during its fiscal year ending December 31, 1982, and intends to provide for the historic debt service charges on an ongoing basis.

The Railway's historic debt service charges for each of the next five fiscal years ending March 31, 1983 through 1987 are estimated to be \$87.1, \$86.4, \$86.4, \$85.6 and \$85.6 million respectively.

(c) Ocean Falls Corporation

The Province, through Ocean Falls Corporation, is the owner of the newsprint mill and townsite at Ocean Falls, which were acquired in 1973 for a payment of \$789,952. In subsequent years, the Province made additional advances to the Corporation which, together with accrued interest, approximated \$12 million at March 31, 1980. Because of continuing losses incurred by the Corporation, both the investment and advance were fully provided for in the 1979/80 Public Accounts and written off by Order in Council in the 1980/81 fiscal year. After the debt to the Province had been forgiven, the Corporation had outstanding obligations of approximately \$38 million at March 31, 1982.

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

9. Investments in and Advances to Crown Corporations—Continued

No provision has been made in these financial statements for the existing liabilities of Ocean Falls. However, in order to prevent the accumulation of interest on the Corporation's loans, arrangements were made during the year with a financial institution under which the Government maintains a deposit account equal to the Corporation's loan. No interest is to be earned on this deposit. In turn no interest is to be charged on the Ocean Falls loans. This arrangement will be maintained until a final evaluation of the Corporation's business is made and outstanding litigation is settled.

There are outstanding claims being pursued in the courts against the Corporation for alleged failure to meet contractual obligations following the decision to cease operations in June, 1980. The Corporation disputes any liability under these claims. No provision has been made by the Corporation in estimating its liabilities and no provision has been made in these financial statements.

(d) Housing Corporation of British Columbia

The operations of the Corporation are in the process of voluntary liquidation and the investment of \$6,699,760 at March 31, 1980 has been recovered. Pending dissolution the investment is carried at a nominal value of \$1.

10. Property Under Development

	1982	1981
	\$	\$
Crown Land Fund—real estate	66,006,762	69,634,858

11. Other Assets

	1982	1981
	\$	\$
Investments—		
British Columbia Regional Hospital Districts Financing Authority bonds	12,000,000	22,000,000
British Columbia School Districts Capital Financing Authority bonds	44,071,501	59,071,501
British Columbia Resources Investment Corporation		25,020,361
Loans under the—		
<i>Farm Product Industry Act</i>	1,842,728	2,325,613
<i>Ministry of Industry and Small Business Development Act</i>	59,098,890	51,315,026
<i>Agricultural Land Development Act</i>	19,040,180	16,990,418
Oyster Seed Program	43,931	44,496
Advances—		
City of Penticton	150,000	150,000
University Endowment Lands	4,184,887	4,184,887
British Columbia Central Credit Union under Housing Initiative Program Agreement	183,245,637	186,967,005
Other	18,237	
	323,695,991	368,069,307
Less provision for doubtful accounts	(37,307,077)	(35,968,017)
	286,388,914	332,101,290

During the year, 4,655,045 shares in the British Columbia Resources Investment Corporation were gifted to the Terry Fox Medical Research Foundation. The gifting of these shares, which cost \$47,024,602, has resulted in the recording of an expenditure in the amount of \$25,019,744 which is equal to the written down value of the shares at March 31, 1981.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

12. Deferred Revenue

	1982	1981
	\$	\$
Natural Resources Revenue		
Minerals—permits and fees	15,351,694	
Water resources—water rentals and recording fees	39,333,606	9,630,000
Other Revenue		
Land leases	3,551,529	
Miscellaneous sales and services	2,464,030	
Contributions From Other Governments		
Canada—Canada Assistance Plan	9,113,022	
	<u>69,813,881</u>	<u>9,630,000</u>

1981 deferred revenue for which no comparative amounts are presented have been included in 1981 revenue, with no material effect on operating results for the year.

13. Unmatured Debt

	1982	1981
	\$	\$
Province of British Columbia bonds	<u>183,147,790</u>	<u>209,247,790</u>

The bonds bear interest at 9½ per cent per annum and are repayable in nine annual installments of \$26,100,000 each commencing on May 1, 1979, through 1987, plus a final \$26,547,790 on May 1, 1988. The Province has the right at any time to redeem the bonds in whole or in part. As at March 31, 1981 and 1982 the total unmatured debt was held in the investment accounts of the Public Service Superannuation and other Trust Funds.

14. Trust Funds Under Administration

These comprise amounts held in trust for third parties which are administered by the Government but over which the Legislature has no power of appropriation and they include trust deposits, sinking funds, certain assurance funds and superannuation funds.

Superannuation and Pension Funds

Net Assets

	1982	1981
	\$	\$
Cash and temporary investments		
held in the trust funds	1,217,772,910	677,234,201
held in the general fund		30,349,096
Accrued interest and accounts receivable	179,331,610	
Other investments	2,610,854,317	2,426,577,969
	<u>4,007,958,837</u>	<u>3,134,161,266</u>
Less: cash payable to general fund	14,637,679	
accounts payable	27,688,079	
	<u>42,325,758</u>	
	<u>3,965,633,079</u>	<u>3,134,161,266</u>

Fund Balances

Public Service Superannuation Fund	1,263,906,944	982,343,070
Municipal Superannuation Fund	1,241,630,590	987,225,852
Teachers' Pension Fund	947,490,851	740,455,223
College Pension Fund	69,719,066	50,843,221
British Columbia Hydro and Power Authority Pension Fund	307,940,940	263,891,507
British Columbia Power Commission Superannuation Fund	26,165,339	24,416,744
British Columbia Railway Company Pension Fund	70,648,030	54,207,200
Members of the Legislative Assembly Superannuation Account	3,120,456	2,252,338
Workers' Compensation Board of British Columbia Superannuation Fund	35,010,863	28,526,111
	<u>3,965,633,079</u>	<u>3,134,161,266</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

14. Trust Funds Under Administration—Continued

Trust Funds

	Net Assets	
	1982	1981
	\$	\$
Cash and temporary investments		
held in the trust funds	1,346,676,548	586,301,654
held in the general fund	110,905,902	97,989,129
Accrued interest and accounts receivable	87,485,059	
Other investments	1,595,681,105	1,352,861,219
	<u>3,140,748,614</u>	<u>2,037,152,002</u>
Less: accounts payable	1,726,335	
	<u>3,139,022,279</u>	<u>2,037,152,002</u>

Fund Balances

Trust Deposits		
Courts	60,847,354	41,147,448
Intestate estates	31,670,160	27,172,001
Long term disability funds		
Public Service	24,361,188	16,246,722
Crown corporations	4,973,756	3,443,582
Official Committee	81,454,394	47,212,557
Official Guardian	12,547,673	9,922,416
Other	631,820,962	29,794,871
	<u>847,675,487</u>	<u>174,939,597</u>
Sinking Funds		
British Columbia Buildings Corporation	10,230,177	5,735,100
British Columbia Ferry Corporation	12,635,473	17,629,635
British Columbia Hydro and Power Authority	543,300,822	467,390,192
British Columbia Railway Company	148,436,180	139,229,543
British Columbia Regional Hospital Districts Financing Authority	121,137,895	90,910,745
British Columbia School Districts Capital Financing Authority	372,131,833	295,779,843
Greater Vancouver Sewerage and Drainage District	22,731,296	19,660,831
Other	13,596,116	9,445,599
	<u>1,244,199,792</u>	<u>1,045,781,488</u>
Miscellaneous		
Crop Insurance accounts	4,758,948	4,770,323
Land Registry Assurance Fund	977,490	904,770
Travel Agents Assurance Fund	148,583	550,869
Workers' Compensation Board, Accident Fund	1,041,261,979	810,204,955
	<u>1,047,147,000</u>	<u>816,430,917</u>
	<u>3,139,022,279</u>	<u>2,037,152,002</u>
Total Trust Funds Under Administration	<u>7,104,655,358</u>	<u>5,171,313,268</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

14. Trust Funds Under Administration—Continued

(a) Superannuation and Pension Funds

The Government manages the administration of and is responsible for employee contributions to certain superannuation and pension plans in accordance with the following Acts and Regulations:

Pension (Public Service) Act

Pension (Municipal) Act

Pension (Teachers) Act

Pension (College) Act

Legislative Assembly Allowance and Pension Act

British Columbia Hydro and Power Authority Pension Fund Regulations

British Columbia Power Commission Superannuation Fund Regulations

British Columbia Railway Company Pension Fund Rules and Regulations

Workers' Compensation Board Superannuation Fund Plan

The Government is responsible for the employer contributions, and has statutory responsibilities with respect to unfunded liabilities under the *Pension (Public Service) Act*, the *Pension (Teachers) Act* and the *Legislative Assembly Allowance and Pension Act*. The Government has no statutory responsibilities with respect to unfunded liabilities under the other Acts and Regulations noted above.

Summarized actuarial balance sheets of the pension and superannuation funds are set out on the following page.

(b) Trust Deposits

Trust Deposits are the funds which are administered by the Government under statutes such as the Patients Property, Estate Administration or Infants Acts. Patient accounts for some Government institutions as well as surplus working capital funds for several Crown corporations are also administered in this section.

(c) Sinking Funds

Sinking Funds are the accumulation of installment payments and interest earned for the purpose of debt retirement at some future date. The amount and number of installments as well as the type of securities in which installments and interest earnings may be invested, may be specified in the debt issue.

(d) Miscellaneous Trust Funds

Miscellaneous Trust Funds include those accounts which have been established by statutes to protect the citizens of British Columbia.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

14. Trust Funds Under Administration—Continued

Summarized Actuarial Balance Sheets of Superannuation and Pension Funds as at the dates of the latest actuarial valuation:

	Funds for Which the Government Has Statutory Responsibility With Respect to Unfunded Liabilities		Other Funds for Which The Government Has No Responsibility With Respect to Unfunded Liabilities				
	Public Service Superannuation as at March 31, 1980	Teachers' Pension as at December 31, 1980	Municipal Superannuation as at December 31, 1979	College Pension as at August 31, 1976	British Columbia Hydro and Power Authority Pension as at December 31, 1979	British Columbia Railway Company Pension as at December 31, 1981	Workers' Compensation Board Superannuation as at March 31, 1981
Assets—	\$	\$	\$	\$	\$	\$	\$
Fund	1,069,594,000	716,697,000	900,499,000	18,023,000	219,737,000	58,186,000	23,556,000
Present value of future contri- butions	1,071,750,000	1,805,273,000	1,531,071,000	53,152,000	355,854,000	107,746,000	48,630,000
	2,141,344,000	2,521,970,000	2,431,570,000	71,175,000	575,591,000	165,932,000	72,186,000
Unfunded Liability (Surplus)	631,172,000 ¹	1,019,270,000 ²	407,272,000 ³	12,290,000	(11,754,000)	8,557,000	36,348,000
Total Actuarial Liability	2,772,516,000	3,541,240,000	2,838,842,000	83,465,000	563,837,000	174,489,000	108,534,000

No actuarial valuations are required of the Members of the Legislative Assembly and the British Columbia Power Commission Superannuation Funds. Key actuarial assumptions on which the above balance sheets are based differ from plan to plan; the major assumptions include salary growth, the interest rate on fund assets, mortality rates, withdrawal rates and retirement age⁴.

¹ The actuarial report indicated that present funding levels would amortize the unfunded liability in 30 years.

² Under the contribution method used the unfunded liability is never amortized, but remains at about a constant proportion of total payrolls. The actuarial report indicated that the unfunded liability was not a threat to the continued payment of pensions nor to the financial health of the plan.

³ The unfunded liability is arrived at after taking into account changes in contribution rates and benefits which became effective in 1980.

⁴ Audited financial statements of these superannuation and pension funds and details of key actuarial assumptions are contained in Section G of the Public Accounts.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

PUBLIC ACCOUNTS 1981/82

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15. Contingent Liabilities—Guaranteed Debt

Debt of municipalities and other local governments, Provincial Crown corporations and private enterprises guaranteed by the Province as to net principal and accrued interest outstanding.

	1982		1981	
	Gross Outstanding \$	Net Sinking Funds \$	Net Outstanding \$	Net Outstanding \$
Municipalities and other local governments—				
(1) Guarantees authorized pursuant to the <i>School Act</i> , sec. 232, (principally funded)	1,251,382,257			
Less: held by British Columbia School Districts Capital Financing Authority	(1,250,370,165)			
	1,012,092		1,012,092	2,853,083
(2) Guarantees authorized pursuant to the <i>Hospital District Act</i> , sec. 41	652,873,830			
Less: held by British Columbia Regional Hospital Districts Financing Authority	(652,873,830)			
(3) Guarantees authorized pursuant to the <i>Municipalities Assistance Act</i> , sec. 3, (serials)	17,720,464		17,720,464	20,971,927
(4) Guarantees authorized pursuant to the <i>Municipal Act</i> , part 25, sec. 854, debentures (principally serials)	24,574,452	6,756,028	17,818,424	19,461,371
(5) Greater Vancouver Sewerage and Drainage District debentures (some serials)	16,872,381	16,518,688	353,693	2,170,168
Subtotal, municipalities and local governments	60,179,389	23,274,716	36,904,673	45,456,549
Government services—				
(6) Guarantees authorized pursuant to the <i>British Columbia Buildings Corporation Act</i> , sec. 13 — ¹	238,578,307	10,230,177	228,348,130	154,235,255
Debentures—funded	62,000,000		62,000,000	30,221,304
Notes—unfunded	29,850,859		29,850,859	
(7) Guarantees authorized pursuant to the <i>System Act</i> , sec. 20 ¹	330,429,166	10,230,177	320,198,989	184,456,559
Subtotal, government services				
Health and Education—				
(8) Guarantees authorized pursuant to the <i>Educational Institution Capital Finance Act</i> , sec. 9—debentures—funded ¹	237,983,539	6,368,769	231,614,770	119,358,680
(9) Guarantees authorized pursuant to the <i>Hospital District Finance Act</i> , sec. 9— Debentures—funded ¹	702,008,572	121,137,895	580,870,677	475,358,715

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

15. Contingent Liabilities—Guaranteed Debt—Continued

	1982		1981	
	Gross Outstanding \$	Net Sinking Funds \$	Net Outstanding \$	Net Outstanding \$
(10) Guarantees authorized pursuant to the <i>School District Capital Finance Act</i> , sec. 9 ¹ —				
Debentures—funded	1,238,489,364	372,131,833	866,357,531	816,196,051
—unfunded	11,880,801		11,880,801	15,312,669
	2,190,362,276	499,638,497	1,690,723,779	1,426,226,115
Subtotal, health and education				
Economic development—				
(11) Guarantees authorized pursuant to the <i>British Columbia Cellulose Company</i> <i>Act</i> , sec. 8 ¹	17,455,650		17,455,650	21,044,259
(12) Guarantees authorized pursuant to the <i>Ferry Corporation Act</i> , sec. 18 ¹ —				
Bonds and debentures—funded	12,628,617	12,628,617		
—unfunded series	28,688,686		28,688,686	
(13) Guarantees authorized pursuant to the <i>British Columbia Railway Finance</i> <i>Act</i> , sec. 10— ¹				
Bonds and debentures—funded	817,385,267	148,436,180	668,949,087	684,767,737
Notes—unfunded	88,086,630		88,086,630	28,458,803
(14) Guarantees authorized pursuant to the <i>Development Corporation Act</i> , sec. 15 ¹ —Notes	111,038,171		111,038,171	65,368,630
(15) Guarantees authorized pursuant to the <i>Ministry of Transportation and High-</i> <i>ways Act</i> , sec. 66, re. <i>British Columbia Steamship Company (1975) Ltd.</i> ¹	3,423,707		3,423,707	3,726,086
(16) Guarantees authorized pursuant to the <i>Urban Transit Authority Act</i> , sec. 22 ¹	55,000,000		55,000,000	20,001,567
(17) Guarantees authorized pursuant to the <i>British Columbia Place Act</i> , 1980, sec. 6 ¹	72,790,669		72,790,669	44,807,873
(18) Guarantees authorized pursuant to the <i>Farm Product Industry Act</i> , sec. 2	6,103,884		6,103,884	8,572,501
(19) Guarantees authorized pursuant to the <i>Agricultural Credit Act</i> , sec. 3	4,280,171		4,280,171	4,100,765
Subtotal, economic development	1,216,881,452	161,064,797	1,055,816,655	880,848,221

Utilities—					
(20) Guarantees authorized pursuant to the <i>Hydro and Power Authority Act</i> , sec.					
44 ¹					
Bonds and debentures—funded	7,697,981,708	543,300,822	7,154,680,886	5,862,347,478	
Notes				48,902,630	
Subtotal, utilities	7,697,981,708	543,300,822	7,154,680,886	5,911,250,108	
Grand total, all guaranteed debt	11,495,833,991	1,237,509,009	10,258,324,982	8,448,237,552	
Less: Amounts included above held as investments by General and					
Special Purpose Funds	351,704,700	36,757,873	314,946,827	161,028,045	
Net total, all guaranteed debt	11,144,129,291	1,200,751,136	9,943,378,155	8,287,209,507	

¹ See Section F of the Public Accounts for details of maturity dates, interest rates, and redemption features of the outstanding debt of these Crown agencies.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

15. Contingent Liabilities—Guaranteed Debt—Continued

Gross outstanding debt as at March 31, 1982 includes accrued interest of \$322.6 million. Debt payable in United States currency is recorded in Canadian dollars at the rate of exchange prevailing at March 31, 1982.

Sinking funds comprise cash and investments recorded at cost, plus accrued interest of \$31.9 million, with the exception of item 9 which is shown at an adjusted value equivalent to the gross outstanding funded debt. The market value of these sinking fund investments was approximately \$994 million at March 31, 1982 (1981: \$838 million); however, these are not considered to be temporary investments, since it is generally the Government's policy not to redeem them prior to maturity, at which time the par value is realized.

The Government is directly responsible for paying 60 to 100 per cent of debt service costs for health and education debt through various grant formulas. In 1981/82 these contributions totalled approximately \$159 million or 68 per cent of the debt service costs. The Government also pays a portion of the debt service costs of some economic development enterprises. No such contribution is made for utilities.

As a result of Government financing policies \$4.1 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other Provincial public sector superannuation and pension funds. Canada Pension Plan funds made available to the Government (\$3 billion) are also invested in these securities but are subject to redemption on six months' notice by the Federal Minister of Finance.

Subsequent to the year end there have been additional net debt issues guaranteed by the Province totalling \$785.5 million.

16. Contingent Liabilities and Commitments

(a) Contingent Liabilities

The Government has various contingent liabilities outstanding in the form of litigation, indirect guarantees and outstanding claims. Because such amounts are uncertain, no liability has been recorded in these financial statements.

(b) General Commitments

In addition, at the end of each year the Government has a number of general commitments outstanding for ongoing programs and operations. Such future expenditures are charged to the appropriation in the year in which the work or service is performed. These include a liability for credits frozen under the Government's former sick leave plan which is estimated at a maximum of \$75 million and commitments for capital construction projects totalling approximately \$84 million.

(c) British Columbia Railway Company—Tumbler Ridge Branch Line

The British Columbia Railway Company (the Railway) is constructing the Tumbler Ridge Branch Line for the North East Coal Project to be completed in 1983 at a total estimated cost of \$456 million. (exclusive of interest)

The Government has expressed its intention to make appropriate financial arrangements to ensure that the Railway fully recovers the project's capital cost. During the year the Government invested \$45 million in the Railway pursuant to the Tumbler Ridge Branch Line Agreement. (See note 9 (b))

17. Workers' Compensation Board of British Columbia—Unfunded Liability

The Workers' Compensation Board of British Columbia, established under the *Workers Compensation Act*, delivers compensation and preventive medical services, sets and controls working conditions throughout the Province and provides education and rehabilitation services to injured employees. The Board funds its operations from assessments on businesses throughout the Province.

The Board is required in each year to provide capitalized reserves under the Accident and Silicosis Funds sufficient to meet future payments of compensation accruing in future years in respect of all injuries occurring during the year. Provisions have proven to be insufficient and at December 31, 1981 cumulative actuarial liabilities exceeded the funded balances by approximately \$510 million. The balance of the unfunded liability has increased to the point that it now exceeds one year's total class income. At this time, the Board considers that the deficiencies will be recovered from future assessments by 1991.

**NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

18. Subsequent Events**(a) British Columbia Place Ltd.**

Pursuant to the *Miscellaneous Statutes Amendment Act, 1982*, proclaimed in July, 1982, the share in the capital of British Columbia Place Ltd. held by the Government was transferred to the British Columbia Buildings Corporation who subsequently made an equity investment of \$205 million.

In June, 1982 the board of directors of British Columbia Place Ltd. declared a dividend payable to the Government in the amount of \$65 million, which was paid in September, 1982.

(b) Special Purpose Funds

Pursuant to the *Special Appropriations Act*, proclaimed in August, 1982, most of the special purpose funds, with balances totalling approximately \$900 million at March 31, 1982, were replaced with special accounts within the general fund effective April 1, 1982. The Act amended or repealed the legislation under which these funds were created and established legislative authority to pay equivalent amounts from the general fund portion of the consolidated revenue fund.

19. Comparatives

Certain of the comparative figures for the year ended March 31, 1981 have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results as previously reported.

**STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
REVENUE BY SOURCES FOR THE FISCAL YEARS ENDED MARCH 31**

	1979	1980	1981	1982
	\$	\$	\$	\$
Taxation Revenue—	(unaudited)	(unaudited)		
Personal income.....	1,220,087,814	1,215,963,618	1,369,211,996	1,848,153,074
Corporation income.....	301,470,437	434,676,109	456,608,866	579,997,631
Social services.....	650,603,378	655,502,747	757,974,947	1,129,542,193
Gasoline.....	175,458,113	191,829,815	202,536,160	331,657,359
Motive-fuel use.....	22,402,440	25,762,109	28,983,775	39,729,670
Fuel oil.....	2,306,297	2,197,075	16,763	
Cigarette and tobacco.....	63,578,662	66,837,073	74,654,794	102,883,691
Corporation capital.....	44,770,616	47,262,823	52,676,696	89,779,068
Property.....	19,327,638	23,949,797	25,961,274	43,437,585
Insurance premiums.....	13,534,904	15,791,601	17,484,993	20,210,237
Hotel and motel room.....	9,772,099	12,306,581	15,487,945	23,672,817
Pari mutuel betting.....	8,748,736	8,443,861	6,035,987	7,618,292
Succession and gift.....	(285,912)	859,385	936,688	14,216
Total Taxation Revenue.....	2,531,775,222	2,701,382,594	3,008,570,884	4,216,695,833
Natural Resource Revenue—				
Minerals—				
Petroleum and natural gas—				
British Columbia Petroleum Corporation.....	184,979,270	309,644,218	208,326,333	219,922,383
Permits and fees.....	155,457,896	229,784,585	156,459,474	69,793,298
Royalties.....	41,568,986	48,055,392	50,896,824	67,164,102
Revenue from other minerals.....	41,455,566	69,504,443	119,593,185	62,454,453
	423,461,718	656,988,638	535,275,816	419,334,236
Forests—				
Logging tax.....	50,683,968	44,056,735	45,556,100	12,276,852
Timber sales.....	284,408,485	561,705,030	233,525,954	78,442,028
Other forest revenue.....	16,569,645	26,670,430	12,122,787	8,666,143
	351,662,098	632,432,195	291,204,841	99,385,023
Land leases, rentals and fees.....			9,518,087	8,104,305
Water resources.....	15,238,851	22,366,439	20,157,482	64,990,853
Wildlife Act—fees and licences.....	5,810,802	6,267,798	6,214,134	6,555,038
Total Natural Resource Revenue.....	796,173,469	1,318,055,070	862,370,380	598,369,455
Other Revenue—				
Sales and services—				
Farm income assurance.....	12,414,182	7,435,622	8,939,518	43,305,107
Lottery.....	1,472,835	16,049,465	25,424,417	25,913,997
Land registry.....	27,225,471	33,376,187	36,399,084	31,161,375
Forest scaling fees.....	10,297,455	11,807,788	9,085,999	7,337,736
Other.....	74,143,244	50,040,627	45,560,825	69,879,676
	125,553,187	118,709,689	125,409,843	177,597,891
Licences and permits—				
Motor vehicle licences and permits.....	61,321,112	67,927,334	81,561,138	103,504,451
Other.....	27,337,750	29,713,041	35,961,487	41,832,114
	88,658,862	97,640,375	117,522,625	145,336,565
Fines and penalties.....	11,238,761	12,807,290	14,709,493	19,014,445
Interest from investments.....	101,711,641	161,617,011	225,716,888	211,475,421
Recoveries of grants and contributions.....			2,182,223	
Miscellaneous.....	12,643,526	29,974,946	46,980,182	93,283,860
Total Other Revenue.....	339,805,977	420,749,311	532,521,254	646,708,182

**STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
REVENUE BY SOURCES FOR THE FISCAL YEARS ENDED MARCH 31—Continued**

	1979	1980	1981	1982
	\$	\$	\$	\$
	(unaudited)	(unaudited)		
Contributions from Government Enterprises—				
Liquor Distribution Branch.....	206,177,322	222,494,242	274,548,747	315,839,210
British Columbia Buildings Corporation.....	10,000,000	18,342,410	17,045,000	8,005,000
British Columbia Systems Corporation.....	2,228,587	237,000	1,522,000	2,676,000
Total Contributions from Government Enterprises	218,405,909	241,073,652	293,115,747	326,520,210
Contributions from Other Governments—				
Canada—				
Established programs financing.....	482,929,000	593,409,000	638,388,000	643,861,000
Canada assistance plan.....	204,111,652	254,873,813	312,856,926	320,167,884
Statutory and other subsidies.....	2,116,848	2,116,848	7,352,468	7,595,929
Other shared costs and grants in aid.....	103,508,019	144,128,881	117,927,500	110,692,549
Subtotal, Canada.....	792,665,519	994,528,542	1,076,524,894	1,082,317,362
Municipal and other governments' share.....	25,448,537	29,037,644	29,621,903	32,837,631
Total Contributions from Other Governments	818,114,056	1,023,566,186	1,106,146,797	1,115,154,993
Total Gross Revenue	<u>4,704,274,633</u>	<u>5,704,826,813</u>	<u>5,802,725,042</u>	<u>6,903,448,673</u>
Reconciliation with Summaries of Revenue—				
General Fund.....	4,629,017,267	5,612,336,143	5,699,889,486	6,773,703,062
Less transfers from Special Purpose Funds			(12,660,764)	(62,768,481)
Special Purpose Funds.....	215,344,784	485,458,486	636,046,302	488,913,886
Less transfers from General Fund	(140,087,418)	(392,967,816)	(520,549,982)	(296,399,794)
	<u>4,704,274,633</u>	<u>5,704,826,813</u>	<u>5,802,725,042</u>	<u>6,903,448,673</u>

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31

	1979	1980	1981	1982
	\$	\$	\$	\$
General Government—	(unaudited)	(unaudited)		
Administrative—				
General	76,322,609	112,788,510	117,385,668	138,396,206
Employees' benefits	108,184,361	115,435,437	127,167,355	151,268,929
Construction and maintenance of public buildings	993	1,452,649	1,226,423	1,918,059
Legislative—				
Elections	2,664,423	6,359,555	1,249,087	3,023,831
Legislative Assembly and Government House	7,226,949	6,767,317	8,413,894	8,656,635
Total General Government.....	194,399,335	242,803,468	255,442,427	303,263,660
Protection of Persons and Property—				
Law enforcement	75,978,968	84,467,006	92,233,330	109,119,311
Corrections	64,079,810	72,621,713	80,054,935	84,846,362
Police protection	33,247,328	40,776,710	47,555,148	53,867,612
Registration, regulation, inspection, trusteeship	63,812,814	63,221,331	66,354,945	70,893,660
Total Protection of Persons and Property.....	237,118,920	261,086,760	286,198,358	318,726,945
Transportation and Communications—				
Highways, roads, bridges and airports	419,689,347	430,785,752	470,423,809	483,312,836
Waterways, ferries, docks and wharves	21,717,384	26,440,536	27,071,097	54,764,375
British Columbia Ferries	51,083,901	53,772,025	57,928,384	63,712,166
British Columbia Railway	9,698			45,000,000
Total Transportation and Communications.....	492,500,330	510,998,313	555,423,290	646,789,377
Health and Social Services—				
Health—				
Administration	8,224,320	11,588,398	19,017,552	16,107,705
Public health	72,926,705	83,627,984	99,538,913	135,705,681
Medical, dental and allied services	291,829,733	377,775,219	462,443,017	567,816,751
Hospital care—				
Administration	4,197,025	6,063,905	6,489,577	7,349,853
Payments to local hospitals	631,555,170	733,422,806	971,110,988	1,104,190,829
Provincial mental hospitals	97,775,846	101,530,375	113,777,485	118,140,667
Social Services—				
Administration	64,310,298	72,136,846	83,583,974	94,432,460
Aid to aged persons	28,064,538	25,450,776	30,424,335	34,989,579
Social assistance	441,328,020	527,386,109	621,143,192	689,581,270
Child welfare	58,997,787	66,016,702	83,927,614	104,349,121
Labour relations, industrial conciliation and arbitration	11,354,028	10,893,111	12,251,617	26,071,837
Total Health and Social Services.....	1,710,563,470	2,015,892,231	2,503,708,264	2,898,735,753
Recreation and Cultural Services—				
Archives, art galleries, museum and libraries	11,656,781	13,469,498	17,531,068	19,087,840
Parks, beaches and other recreational areas	46,986,881	41,760,790	46,398,233	46,899,806
Physical culture	5,869,239	6,848,744	7,624,107	4,217,607
Other	6,313,924	7,900,701	6,064,750	5,969,060
Total Recreation and Cultural Services.....	70,826,825	69,979,733	77,618,158	76,174,313

**STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31--
Continued**

	1979	1980	1981	1982
	\$	\$	\$	\$
Education—	(unaudited)	(unaudited)		
Administration	7,899,202	6,699,475	7,599,854	8,612,075
Schools operated by local authorities—				
Operating grants	413,652,548	433,310,297	465,827,304	530,152,224
Home-owner grants (School-levy portion)	152,895,906	203,736,926	216,220,230	224,936,772
Aids and services	32,167,026	18,201,105	33,532,447	36,442,753
Universities, colleges, vocational and other schools	368,236,735	466,619,214	511,329,878	632,132,805
Independent schools	8,562,874	9,565,835	10,841,810	13,224,545
Education of the handicapped	7,179,001	2,748,740	3,537,955	8,061,693
Teachers' pensions and unemployment insurance	52,532,033	48,824,249	69,046,446	96,385,037
Total Education	1,043,125,325	1,180,705,841	1,317,935,924	1,540,947,904
Natural Resource and Primary Industries—				
Fish and game	15,282,201	19,660,930	15,262,230	16,294,798
Forests (including fire suppression)	131,287,142	163,635,360	183,515,133	229,389,679
Lands-settlement and agriculture	74,861,447	59,901,882	100,523,937	177,684,905
Minerals and mines	15,034,487	12,312,270	20,822,162	22,888,474
Water resources	31,791,671	30,307,907	34,414,297	39,541,621
Other	9,266,017	16,527,817	8,360,472	1,745,750
Total Natural Resource and Primary Industries	277,522,965	302,346,166	362,898,231	487,545,227
Trade and Industrial Development	32,115,402	53,119,186	77,394,999	86,331,138
Housing—				
Home-owner grants (nonschool-levy portion)	18,322,166	23,203,073	25,377,139	26,075,767
Home-acquisition grants	5,806,369	18,332,750	25,587,784	21,372,090
Renters' grants	16,754,877	15,293,456	21,688,625	21,627,785
Other	33,709,521	35,441,294	45,163,988	44,377,392
Total Housing	74,592,933	92,270,573	117,777,536	113,453,034
Aid to Local Government—				
Grants in aid of local government	179,720,872	176,289,842	218,483,744	264,733,057
Transit subsidy	6,856,665	25,136,184	72,853,435	89,757,666
Planning and development	2,657,997	2,582,839	3,136,542	3,677,394
University Endowment Lands	3,087,259	3,006,266	2,538,173	3,143,002
Total Aid to Local Government	192,322,793	207,015,131	297,011,894	361,311,119
Debt Servicing	23,657,670	21,681,023	19,299,398	16,917,773
Other Expenditure—				
Provincial Emergency Program	7,261,534	7,778,953	9,755,561	8,613,767
Disaster relief, training, and development aid in foreign countries	358,991	361,671	393,000	415,003
Summer Employment Program	20,004,091	25,039,282	25,204,041	15,035,795
Interest on deposits and revenue refunds	5,281,877	8,759,964	13,920,532	17,766,471
Power subsidy	3,167,816	3,221,491		
Lottery fund grants	12,979,676	11,563,565	11,634,227	16,132,831
British Columbia Resources Investment Corporation revaluation adjustment	(1,818,977)		22,004,858	
Donation of investment in British Columbia Resources Investment Corporation				25,019,744
Transfer of property to British Columbia Buildings Corporation				5,918,571
Sundry	196,197	576,748		2,861,672
Total Other Expenditure	47,431,205	57,301,674	82,912,219	91,763,854

**STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31—
Continued**

	1979	1980	1981	1982
	\$	\$	\$	\$
Other Payments and Charges—				
Crown corporations—	(unaudited)	(unaudited)		
Investments and advances	7,479,538	5,374,600		
Grants	21,008,480	23,200,000	103,341,105	136,510,050
Advances, other (net)	9,115,349	3,862,420	2,497,784	
Investments, other		106,326,693		
Total Other Payments and Charges.....	37,603,367	138,763,713	105,838,889	136,510,050
Total Combined Expenditure	4,433,780,540	5,162,963,812	6,059,459,587	7,087,470,147
Reconciliation With Summaries of Expenditure—				
General Fund	4,390,443,127	5,351,686,182	6,278,937,580	6,868,665,092
Less transfers to Special Purpose Funds	(140,087,418)	(392,967,816)	(520,549,982)	(296,399,794)
Special Purpose Funds	183,424,831	204,245,496	313,732,753	577,973,330
Less transfers to General Fund			(12,660,764)	(62,768,481)
	4,433,780,540	5,162,963,862	6,059,459,587	7,087,470,147

A GUIDE TO STATEMENT CLASSIFICATION OF EXPENDITURE BY OBJECT
(pages B 32 and B 33)

The following are details of the types of expenditures included in each of the object classifications:

Salaries and Wages

Salaries and wages for persons in established and temporary positions and allowances and expenses for Members and Officers of the Legislative Assembly.

Travel

Travelling expenses of public servants on government business and members of Boards, Commissions, etc. Also includes lease and operation of motor vehicles used for staff travel and relocation purposes.

Services

Fees and expenses for services rendered by professionals, by British Columbia Systems Corporation and by Boards, Commissions, etc. Also includes costs associated with advertising and publications.

Utilities, Materials and Supplies

Office operating expenses, materials and supplies, and purchases of office furniture and equipment.

Acquisition of Physical Assets

Acquisition of land, buildings, works, machinery, equipment and motor vehicles.

Rentals

Lease or rental of land, buildings, aircraft and equipment from outside suppliers including British Columbia Buildings Corporation.

Grants, Contributions and Subsidies

Payments, other than for goods and services, made for the purpose of furthering ministerial programs.

Other Expenditures

All other expenditures not otherwise classified including interest on deposits, loans and advances, transfers to special purpose funds and supplementary personnel costs.

Recoveries

Cost recoveries in cash or by transfer billings to other votes.

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS FOR THE FISCAL YEAR

Ministry	Salaries and Wages	Travel	Services	Utilities, Materials and Supplies
	\$	\$	\$	\$
Legislation	5,763,296	25,107	66,873	621,768
Auditor General	1,922,094	214,380	406,607	92,338
Ombudsman	970,200	46,632	170,030	91,423
Premier's Office	482,317	183,536	27,639	90,870
Agriculture and Food	15,681,943	1,665,849	2,493,100	2,354,520
Attorney General	120,888,705	4,740,854	83,999,307	14,412,127
Consumer and Corporate Affairs	11,861,844	597,175	2,528,135	1,105,622
Education	13,617,373	735,574	12,708,342	20,012,362
Energy, Mines and Petroleum Resources	10,021,509	1,171,413	6,279,315	1,187,680
Environment	39,951,303	4,279,113	10,359,520	5,133,519
Finance	39,999,744	1,197,396	11,737,549	4,444,804
Forests	112,148,516	6,433,260	29,014,674	24,903,047
Health	162,645,459	4,543,110	19,569,174	34,498,828
Human Resources	114,685,471	4,081,350	73,909,756	8,504,056
Industry and Small Business Development	6,102,248	608,799	5,918,785	396,148
Intergovernmental Relations	1,112,465	206,869	355,945	347,747
Labour	20,566,911	2,088,220	2,657,457	1,494,036
Lands, Parks and Housing	32,476,203	1,485,016	3,151,506	6,974,327
Municipal Affairs	3,086,450	299,207	618,305	197,306
Provincial Secretary and Government Services	35,480,880	1,310,684	15,506,701	23,691,366
Tourism	3,280,186	446,677	8,035,121	2,283,853
Transportation and Highways	180,020,292	9,374,690	11,679,968	99,457,033
Universities, Science and Communications	2,494,475	171,963	783,133	331,768
Other Expenditure				
Special Purpose Appropriation Act, 1980	373,613	15,437	29,720	245,958
Financial Administration Act, Sec. 22	48,592		421,616	1,589
Less: Transfers to Special Purpose Funds				
Special Purpose Funds	10,660,595	368,132	10,382,558	2,842,966
Less: Transfers to General Fund				
Combined Expenditure	<u>946,342,684</u>	<u>46,290,443</u>	<u>312,810,836</u>	<u>255,717,061</u>
Comparative—1981 Combined Expenditure	<u>834,470,087</u>	<u>40,920,317</u>	<u>279,288,391</u>	<u>209,762,161</u>

¹ Transfers to Special Purpose Funds of \$296,399,794 include Agriculture (Farm Income Assurance \$44,175,557, and Agricultural Land Development \$1,936,000) \$46,111,557, Municipal Affairs (Revenue Sharing Fund) \$213,800,000, and Other Expenditures (Agricultural Land Development \$16,990,418, and Farm Products Industry Improvement \$1,897,671 and Industrial Development Subsidiary Agreement Loan Repayment Revolving \$17,600,148) \$36,488,237.

² Includes advance *re* rural school taxes (\$210,936,152 recovered).

³ Includes \$16,917,773 interest on public debt, \$50,748,292 interest on deposits, \$40,397,550 of loans and advances under various statutes (\$40,275,687 recovered), and \$2,031,823, of sundry expenditure.

⁴ Transfers of \$97,290,104 include (a) revenue to the General Fund of \$62,768,481 composed mainly of recovery from the Urban Transit Authority and British Columbia Ferries Corporation Insurance Fund and (b) recoveries of expenditure to General Fund votes of \$34,521,623 consisting principally of recoveries to various Ministry of Forests votes of \$33,437,292 from the Forest and Range Resource Fund.

**EXPENDITURE BY OBJECTS OF EXPENDITURE CLASSIFICATION (GROUPED)
ENDED MARCH 31, 1982**

Acquisition of Physical Assets	Rentals	Grants, Contributions and Subsidies	Other Expendi- tures	Less Recoveries	Total Expenditures
\$	\$	\$	\$	\$	\$
1,985	81,905	42,500	4,769		6,608,203
	185,764	28,000			2,849,183
	174,320				1,452,605
	1,274		6,806		792,442
400,289	4,751,429	32,748,202	48,749,077 ¹	(1,945,049)	106,899,360
1,557,852	44,214,530	10,742,471	29,839	(6,148,301)	274,437,384
59,892	1,940,002	216,388	307		18,309,365
455,815	2,612,652	1,175,840,220	210,943,606 ²	(234,053,861) ²	1,202,872,083
223,831	2,062,280	6,884,116	4,739	(12,199)	27,822,684
16,266,251	10,774,346	3,360,249	16,730	(841,195)	89,299,836
79,115	4,465,054	13,508,732	110,095,438 ³	(75,473,999)	110,053,833
10,411,075	47,226,605	1,752,500	790,837	(39,235,611)	193,444,903
3,678,242	32,448,779	1,785,358,505	5,535,178	(10,725,648)	2,037,551,627
1,313,497	20,182,020	602,610,035	18,850	(2,461,990)	822,843,045
	934,226	89,659,008	67,577,305		171,196,519
3,301	130,071	209,100	83,118		2,448,616
277,410	2,448,727	16,703,332	14,024,052	(1,153,397)	59,106,748
2,387,290	4,432,992	25,321,490	218,429	(5,639,842)	70,807,411
	472,426	189,702,263	213,802,128 ¹	(25,038,128)	383,139,957
1,366,293	12,257,287	15,191,745	146,665,267	(34,212,643)	217,257,580
40,922	1,076,771	767,018	27,977		15,958,525
219,495,093	64,493,782	79,610,017	343,172	(41,776,366)	622,697,681
616,434	21,877,122	327,341,331	8,639,127	(2,636,217)	359,619,136
5,918,571		25,019,744	37,488,237 ¹		68,426,552
213,014	455,990	1,397,707	8		2,731,447
63,224	60,000	1,251,193	641	(1,808,488)	38,367
			(296,399,794) ¹		(296,399,794)
20,672,401	3,750,396	374,915,902	154,380,380		577,973,330
			(97,290,104) ⁴	34,521,623	(62,768,481)
<u>285,501,797</u>	<u>283,510,750</u>	<u>4,780,181,768</u>	<u>625,756,119</u>	<u>(448,641,311)</u>	<u>7,087,470,147</u>
<u>262,895,227</u>	<u>248,427,751</u>	<u>4,024,084,163</u>	<u>434,283,371</u>	<u>(274,671,881)</u>	<u>6,059,459,587</u>

**STATEMENT OF SPECIAL PURPOSE FUNDS TRANSACTIONS AND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

	Balance March 31, 1981	Revenue and Credits	Expenditures and Debits	Balance March 31, 1982
Perpetual Funds—				
British Columbia Cultural Fund—	\$	\$	\$	\$
Capital Account	20,000,000			20,000,000
Current Account	476,621	1,597,093	1,636,147	437,567
First Citizens' Fund—				
Capital Account	25,000,000			25,000,000
Current Account	3,908,284	2,320,313	3,719,337	2,509,260
Physical Fitness and Amateur Sports Fund—				
Capital Account	20,000,000			20,000,000
Current Account	477,085	1,583,490	1,455,675	604,900
Total Perpetual Funds	69,861,990	5,500,896	6,811,159	68,551,727
Other Funds—				
Agricultural Land Development Fund		19,684,938		19,684,938
Barkerville Historic Park Development Fund	4,371,597		2,315,067	2,056,530
British Columbia Place Fund	11,321,895		11,321,895	
Crop Insurance Stabilization Fund	20,367,330	3,133,410		23,500,740
Crown Land Fund	279,085,579	59,069,420	5,779,636	332,375,363
Downtown Revitalization Fund	24,839,538		790,631	24,048,907
Drug, Alcohol and Cigarette Education, Prevention and Rehabilitation Fund	28,616,116	1,275,484	26,331,169	3,560,431
Elderly Citizens' Housing Aid Fund	394,755		394,755	
Energy Development Fund	9,350,563		1,745,750	7,604,813
Farm Income Assurance Fund	11,518,675	88,034,210	97,424,037	2,128,848
Farm Product Industry Fund	3,053,078	2,331,688	938,990	4,445,776
Ferries Insurance Fund	6,104,981	1,125,490	7,230,471	
Forest and Range Resource Fund	122,650,859		38,592,628	84,058,231
Fraser River Crossing Fund	21,892,264		21,851,886	40,378
Habitat Conservation Fund		141,804	711,802	(569,998)
Industrial Development Subsidiary Agreement Loan Repayment Revolving Fund		17,600,148		17,600,148
Lottery Fund	21,679,848	25,913,997	17,594,186	29,999,659
Lower Mainland Stadium Fund	42,037,000		42,037,000	
North East Coal Development Fund	14,082,058		2,612,217	11,469,841
Provincial Computerization of Libraries Fund	2,967,970		613,577	2,354,393
Provincial Home Acquisition Fund	317,170,524	49,864,478	21,372,089	345,662,913
Revenue Sharing Fund	6,744,945	213,800,000	215,074,601	5,470,344
Urban Transit Fund	55,000,000		55,000,000	
Miscellaneous Statutory Accounts	3,730,432	1,437,923	1,429,784	3,738,571
Total Special Purpose Funds	1,076,841,997	488,913,886	577,973,330	987,782,553

DETAILS OF GENERAL FUND REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Estimated	Source	Revenue	
\$		\$	\$
Taxation Revenue—			
1,578,000,000	Personal Income	1,848,153,074	
532,000,000	Corporation Income	579,997,631	
1,222,000,000	Social Services	1,129,542,193	
337,000,000	Gasoline	331,657,359	
45,000,000	Motive-fuel Use	39,729,670	
100,500,000	Cigarette and Tobacco	102,883,691	
80,000,000	Corporation Capital	89,779,068	
30,000,000	Property	42,520,998	
21,000,000	Insurance Premiums	20,210,237	
22,200,000	Hotel Room	23,672,817	
6,300,000	Horse Racing	7,618,292	
	Succession and Gift	14,216	
<u>3,974,000,000</u>	Total Taxation Revenue		<u>4,215,779,246</u>
Natural Resource Revenue—			
Minerals—			
Petroleum and Natural Gas—			
122,000,000	British Columbia Petroleum Corporation	219,922,383	
100,000,000	Permits and Fees	69,793,298	
65,300,000	Petroleum and Natural Gas Royalties	67,164,102	
12,000,000	Mining Tax	11,516,869	
68,000,000	Mineral Resource Tax	23,295,482	
11,500,000	Mineral Land Tax	14,600,894	
5,200,000	Coal, Minerals and Metals Royalties	6,688,703	
7,000,000	Miscellaneous Mining Receipts	6,352,505	
<u>391,000,000</u>			<u>419,334,236</u>
Forests—			
17,000,000	Logging Tax	12,276,852	
190,000,000	Timber Sales	78,442,028	
11,000,000	Timber Royalties	6,637,861	
3,000,000	Miscellaneous Forest Receipts	2,028,282	
<u>221,000,000</u>			<u>99,385,023</u>
11,000,000	Land Leases, Rentals and Fees	8,104,305	
Water Resources—			
47,000,000	Water Rentals and Recording Fees	64,990,853	
7,000,000	Wildlife Act—Fees and Licences	6,413,445	
<u>677,000,000</u>	Total Natural Resource Revenue		<u>598,227,862</u>
Other Revenue—			
Sales and Service Fees—			
5,100,000	Land Sales	13,588,781	
5,200,000	Motor Vehicle Lien and Search Fees	5,800,305	
10,061,000	Medicare Services Recoveries	8,785,879	
3,300,000	Ferry Revenue	3,795,496	
4,100,000	Ambulance Service	3,855,095	
10,400,000	Forest Scaling Fees	7,337,736	
	Land Clearing Receipts	(1,421)	
38,200,000	Land Registry Fees	31,161,375	
1,550,000	Sheriffs' Fees	1,276,384	
1,500,000	Property Tax Collection Fees	1,586,009	
2,100,000	Hearing Aid Equipment	965,427	
1,200,000	Publications Service Branch	1,331,324	

**DETAILS OF GENERAL FUND REVENUE
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

Estimated	Source	Revenue	
\$		\$	\$
	Other Revenue—Continued		
2,019,000	Receipts from Beautiful British Columbia Magazine	1,123,749	
5,670,000	Miscellaneous Sales and Services	6,224,723	
90,400,000			86,830,862
	Licences and Permits—		
102,000,000	Motor Vehicle Licences and Permits	103,504,451	
9,000,000	Companies Branch	8,495,984	
2,830,000	Electrical Energy Inspection Fees	2,826,711	
2,150,000	Fire Services—Fees, etc.	2,164,515	
2,700,000	Law Stamps	3,103,660	
11,100,000	Liquor Licensing Branch—Permits and Fees	12,999,635	
1,247,000	Mobile Home Registry	1,013,894	
	Probate Fees	20,716	
2,328,000	Camp-site Permits and Park Use	2,700,888	
8,645,000	Miscellaneous Licences and Permits	8,482,934	
142,000,000			145,313,388
18,000,000	Fines and Penalties		19,014,445
97,000,000	Interest from Investments		111,438,093
	Miscellaneous—		
	Institutional Maintenance Receipts—		
13,000,000	Maintenance of Children	10,179,169	
3,923,000	Other Maintenance Receipts	5,763,495	
16,923,000		15,942,664	
	Miscellaneous Revenue—		
5,500,000	Insurance Claim Receipts	5,687,165	
	Superannuation Branch—Cost Recoveries	2,733,574	
16,577,000	Other Miscellaneous Receipts	21,528,296	
39,000,000			45,891,699
25,000,000	Mortgage Repayments Under Housing Initiative Program—		
			408,488,487
	Recovery of Advances to Elderly Citizens' Housing Fund		177,610
	Recovery of British Columbia Ferries—		
	Insurance Fund		7,230,471
	Sinking Fund		5,213,741
	Recovery of Advances to Downtown Revitalization Fund		360,400
	Recoverable from Urban Transit Authority re Automated Light Rapid Transit		55,000,000
	Sale of Forestry Property to British Columbia Buildings Corporation		34,700,000
	Sale of Ferry		6,081,150
	British Columbia Educational Capital Financing Authority		768,892
411,400,000	Total Other Revenue		518,020,751
	Contributions From Government Enterprises—		
338,000,000	Liquor Distribution Branch	315,839,210	
26,000,000	British Columbia Buildings Corporation	8,005,000	
	British Columbia Systems Corporation	2,676,000	
364,000,000	Total Contributions from Government Enterprises		326,520,210

**DETAILS OF GENERAL FUND REVENUE
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

Estimated	Source	Revenue		
\$		\$	\$	\$
Contributions From Other Governments—				
Canada—				
726,000,000	Established Programs Financing	643,861,000		
346,000,000	Canada Assistance Plan	320,167,884		
Other Shared-cost Programs—				
44,500,000	Adult Occupational Training	44,473,829		
30,085,000	Economic Development	29,652,819		
13,400,000	Transportation and Highways	12,236,919		
14,715,000	Other Federal Payments	24,328,982		
2,000,000	Percentage of Power Corporation Tax	5,102,038		
2,100,000	Statutory Subsidies	2,493,891		
1,178,800,000	Subtotal, Canada	1,082,317,362		
31,000,000	Municipal Share of Joint-service Programs	32,677,622		
200,000	Other Provinces	160,009		
1,210,000,000	Total Contributions from Other Govern- ments		1,115,154,993	
	Total General Fund Revenue		6,773,703,062	

**GENERAL FUND EXPENDITURE
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

**Summary by Ministry Showing Expenditure Compared With Main Estimates and
Other Authorizations**

Ministry	Total Appropriations			Actual Expenditures	Net Under (Over) Expenditures
	Main Estimates Voted	Other Authorizations	Total		
	\$	\$	\$	\$	\$
Legislation	7,143,254		7,143,254	6,608,203	535,051
Auditor General	3,119,500		3,119,500	2,849,183	270,317
Ombudsman	1,460,125	49,000	1,509,125	1,452,605	56,520
Premier's Office	633,544	150,000	783,544	792,442	(8,898)
Agriculture and Food	73,157,828	33,199,270	106,357,098	106,899,360	(542,262)
Attorney General	267,197,781	8,375,884	275,573,665	274,437,384	1,136,281
Consumer and Corporate Affairs	18,041,222	265,714	18,306,936	18,309,365	(2,429)
Education	1,172,417,375	31,049,352	1,203,466,727	1,202,872,083	594,644
Energy, Mines and Petroleum Resources	30,889,790	13,819	30,903,609	27,822,684	3,080,925
Environment	81,056,074	6,914,525	87,970,599	89,299,836	(1,329,237)
Finance	92,030,486	23,271,459	115,301,945	110,053,833	5,248,112
Forests	162,636,162	30,827,029	193,463,191	193,444,903	18,288
Health	1,975,076,900	75,120,655	2,050,197,555	2,037,551,627	12,645,928
Human Resources	836,071,491	3,805,858	839,877,349	822,843,045	17,034,304
Industry and Small Business Development	147,047,645	47,327,550	194,375,195	171,196,519	23,178,676
Intergovernmental Relations	2,617,318	21,030	2,638,348	2,448,616	189,732
Labour	65,123,685	205,858	65,329,543	59,106,748	6,222,795
Lands, Parks and Housing	72,514,169	16,858	72,531,027	70,807,411	1,723,616
Municipal Affairs	380,192,365	6,011,768	386,204,133	383,139,957	3,064,176
Provincial Secretary and Government Services	229,186,145	5,363,504	234,549,649	217,257,580	17,292,069
Tourism	14,784,256	1,438,740	16,222,996	15,958,525	264,471
Transportation and Highways	618,601,215	2,472,037	621,073,252	622,697,681	(1,624,429)
Universities, Science and Communications	359,301,670	2,709,140	362,010,810	359,619,136	2,391,674
Other Appropriations		71,451,188	71,451,188	71,196,366	254,822
	<u>6,610,300,000</u>	<u>350,060,238</u>	<u>6,960,360,238</u>	<u>6,868,665,092</u>	<u>91,695,146</u>

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation

Vote No.	Description	Total Appropriations			Actual Expenditures	Net Under (Over) Expenditures
		Main Estimates Voted	Other Authorizations	Total		
	Legislation	\$	\$	\$	\$	\$
1	Legislation	6,725,454		6,725,454	6,258,846	466,608
2	Crown Corporation Reporting Committee	417,800		417,800	349,357	68,443
		<u>7,143,254</u>		<u>7,143,254</u>	<u>6,608,203</u>	<u>535,051</u>
	Auditor General					
3	Auditor General	3,006,500		3,006,500	2,607,330	399,170
4	Building occupancy charges	187,000		187,000	185,763	1,237
5	Computer and consulting charges	75,000		75,000	56,090	18,910
	Less efficiencies achieved to control government growth	3,268,500		3,268,500	2,849,183	419,317
		<u>(149,000)</u>		<u>(149,000)</u>		<u>(149,000)</u>
		<u>3,119,500</u>		<u>3,119,500</u>	<u>2,849,183</u>	<u>270,317</u>
	Ombudsman					
6	Office of the Ombudsman	1,236,125		1,236,125	1,264,600	20,525
7	Supplement—Special Warrant No. 4	194,000	49,000	194,000	174,320	19,680
8	Building occupancy charges	30,000		30,000	13,685	16,315
	Computer and consulting charges	<u>1,460,125</u>	<u>49,000</u>	<u>1,509,125</u>	<u>1,452,605</u>	<u>56,520</u>
	Premier's Office					
9	Premier's office	664,544		664,544	792,442	22,102
	Supplement—Special Warrant No. 2		150,000	150,000	792,442	22,102
	Less efficiencies achieved to control government growth	664,544		664,544		
		<u>(31,000)</u>		<u>(31,000)</u>		<u>(31,000)</u>
		<u>633,544</u>	<u>150,000</u>	<u>783,544</u>	<u>772,442</u>	<u>(8,896)</u>

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982
Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures \$	Net Under (Over) Expenditures \$
		Main Estimates Voted \$	Other Authorizations \$	Total \$		
Ministry of Agriculture and Food						
10	Minister's office	160,971				
	Supplement—Special Warrant No. 5		30,000			
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
11	Deputy Minister's office	1,091,714	7,395	198,366	187,173	11,193
12	Finance and administration	1,736,900		1,091,714	1,064,571	27,143
13	Field operations	10,809,073		1,736,900	1,735,933	967
	Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))					
14	Economics and marketing services	1,348,293	15,137	10,824,210	10,824,210	
15	Financial Assistance Program	46,458,103		1,348,293	1,339,011	9,282
	Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))					
16	Information services	258,097	33,115,040	79,573,143	79,573,143	
17	Milk Board	267,160		258,097	257,837	260
18	Provincial Agricultural Land Commission	1,661,067		267,160	263,433	3,727
19	ICBC—Senior Citizens' Grant	6,130,000		1,661,067	1,492,749	168,318
20	Building occupancy charges	3,840,000		6,130,000	5,974,076	155,924
21	Computer and consulting charges	421,450		3,840,000	3,734,076	105,924
	Statutory— <i>Cattle Horn Act</i> (R.S.B.C. 1979, chap. 44, sec. 7)—Livestock improvement			421,450	421,450	
	Less efficiencies achieved to control government growth	74,182,828 (1,025,000)	31,698 33,199,270	31,698 107,382,098 (1,025,000)	31,698 106,899,360	482,738 (1,025,000)
		73,157,828	33,199,270	106,357,098	106,899,360	(542,262)
Ministry of Attorney General						
22	Minister's office	150,500				
	Supplement—Special Warrant No. 14		8,500			
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
23	Administration and support	6,130,105	7,394	166,394	160,482	5,912
				6,130,105	6,029,748	100,357

24 Court services Supplement—Special Warrant No. 14 Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	39,158,497				
25 Criminal Justice Division Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	12,273,273				
26 Police services Supplement—Special Warrant No. 14	48,813,935				
27 Corrections 28 Legal Services Society Supplement—Special Warrant No. 14 Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	68,439,352 13,000,000	600,000 901,835	39,940,919 12,292,354	52,865,729 64,701,187	148,206 3,738,165
29 Legal Services to Government Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	8,261,221				
30 Superior and County Judiciary 31 Provincial Judiciary 32 Coroners Supplement—Special Warrant No. 9 Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	1,626,782 7,508,827 2,685,174	228,879 915,000 25,079	8,490,100 1,626,782 7,508,827	8,490,100 1,606,527 7,493,121	20,255 15,706
33 British Columbia Parole Board Supplement—Special Warrant No. 9 34 Law Reform Commission 35 <i>Criminal Injuries Compensation Act</i> (<i>Criminal Injury Com- pensation Act</i>) Statutory— <i>Criminal Injury Compensation Act</i> (R.S.B.C. 1979, chap. 83, sec. 2 (5))	326,356 387,756 1,976,380				
36 Public Trustee 37 Fire Commission 38 British Columbia Racing Commission 39 Film Classification Branch 40 Land Registry Branch 41 Order in Council Patients' Review Board Supplement—Special Warrant No. 14	2,002,635 1,916,836 712,081 175,274 8,095,484 102,350	602,197	2,578,577 2,002,635 1,916,836 714,081 175,274 8,095,484	2,578,577 1,983,053 1,809,846 699,734 173,848 7,950,258	19,582 106,990 14,347 1,426 145,226
42 Building occupancy charges 43 Computer and consulting charges Statutory— <i>Private Investigators and Security Agencies Act</i> (1980, chap. 45, sec. 28)—Licensing and regulation of private investigators and security agencies	48,952,963 2,500,000	8,000	110,350 48,952,963 2,500,000	106,595 44,149,292 2,500,000	3,755 4,803,671
Less efficiencies achieved to control government growth	275,197,781 (8,000,000)	2,497 8,375,884	2,497 283,573,665 (8,000,000)	2,497 274,437,384	9,136,281 (8,000,000)
	267,197,781	8,375,884	275,573,665	274,437,384	1,136,281

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures	Net Under (Over) Expenditures
		Main Estimates Voted	Other Authorizations	Total		
		\$	\$	\$	\$	\$
Ministry of Consumer and Corporate Affairs						
44	Minister's office					
	Supplement—Special Warrant No. 7	147,465	22,000			
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)			175,323	172,132	3,191
45	Executive and administration	1,313,577	5,858	1,313,577	1,250,810	62,767
46	Consumer affairs	2,850,988				
	Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))		985	2,851,973	2,851,973	
47	Corporate affairs	5,865,797		5,865,797	5,409,386	456,411
48	Rentalsman	3,685,441		3,685,441	3,582,804	102,637
49	Liquor Control and Licensing Branch	1,438,605		1,438,605	1,376,949	61,656
50	Corporate and Financial Services Commission	73,218				
	Statutory— <i>Securities Act</i> (R.S.B.C. 1979, chap. 380, part 1, sec. 4 (4))		6,671	79,889	79,889	
51	Auditors' Certification Board	5,000		5,000	3,881	1,119
52	Building occupancy charges	2,083,131		2,083,131	1,940,002	143,129
53	Computer and consulting charges	1,413,000				
	Supplement—Special Warrant No. 7		230,200	1,643,200	1,641,539	1,661
		18,876,222	265,714	19,141,936	18,309,365	832,571
		(835,000)		(835,000)		(835,000)
		18,041,222	265,714	18,306,936	18,309,365	(2,429)
Less efficiencies achieved to control government growth						
Ministry of Education						
54	Minister's office					
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)	225,957				
55	Management operations and educational finance	7,759,647	3,815	229,772	179,799	49,973
56	Public schools education	772,622,740		7,759,647	6,525,733	1,233,914
	Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 20 (3))		20,792			
	Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))		17,252,896	789,896,428	789,896,428	

57 Post-secondary education—colleges and provincial institutes Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 20 (3))	283,171,542	58,304		
Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))		440,350	283,670,196	41,092
58 Post-secondary Student Aid Programs			6,244,126	
59 Teachers' Pension Fund	6,285,218			
Supplement—Special Warrant Nos. 10 and 18 Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	83,700,000	12,450,000		
60 Advances re rural school taxes—net		235,137	96,385,037	10
61 Independent schools	12,664,657			
Supplement—Special Warrant No. 1		588,158	13,252,815	28,270
62 International Year of Disabled Persons	2,839,750		2,835,880	3,870
63 Building occupancy charges	2,581,000		2,553,442	27,558
64 Computer and consulting charges	1,576,854		1,356,897	219,957
Less efficiencies achieved to control government growth	1,173,427,375	31,049,352	1,202,872,083	1,604,644
	(1,010,000)	(1,010,000)		(1,010,000)
	1,172,417,375	31,049,352	1,202,872,083	594,644

Ministry of Energy, Mines and Petroleum Resources

65 Minister's office	194,679			
Supplement—Special Warrant No. 15 Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)		10,000		
66 Executive management		3,819	208,498	1,370
67 Finance and Administration Branch	1,120,071		1,107,422	12,649
68 British Columbia Utilities Commission	1,470,565		1,409,726	60,839
69 Energy Resources Branch	2,469,409		2,415,771	53,638
70 Mineral Resources Branch	7,242,262		4,838,259	2,404,003
71 Petroleum Resources Branch	7,839,878		7,265,363	574,495
72 Resource Access Program	2,140,743		1,890,266	250,477
73 Fort Nelson Indian Reserve Minerals Revenue Sharing	550,000		459,242	90,758
74 Building occupancy charges	6,000,000		5,851,238	148,762
75 Computer and consulting charges	1,716,483		1,515,784	200,699
Less efficiencies achieved to control government growth	965,700		862,465	103,235
	31,709,790	13,819	27,822,684	3,900,925
	(820,000)	(820,000)		(820,000)
	30,889,790	13,819	27,822,684	3,080,925

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures	Net Under (Over) Expenditures
		Main Estimates Voted	Other Authorizations	Total		
		\$	\$	\$	\$	\$
Ministry of Environment						
76	Minister's office	218,076				
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
77	General administration	5,516,921	5,856	223,932	191,131	32,801
78	Resource and environment management	50,679,915		5,516,921	5,470,160	46,761
79	Environmental Laboratory Program	2,864,580		50,679,915	50,468,605	211,310
80	Surveys and Mapping Program	6,589,952		2,864,580	2,688,552	176,028
81	Provincial Emergency Program	1,702,820		6,589,952	6,113,743	476,209
82	Provincial disaster	6,000,000		1,702,820	1,543,108	159,712
	Statutory— <i>Flood Relief Act</i> (R.S.B.C. 1979, chap. 138, sec. 2)					
83	Fish and Wildlife Conservation Fund	10	828,865	6,828,865	6,828,865	
84	Building occupancy charges	7,792,000		10		10
85	Computer and consulting charges	2,271,800		7,792,000	7,681,285	110,715
	Statutory— <i>Emergency Program Act</i> (R.S.B.C. 1979, chap. 106, secs. 4 and 16)—Purchase of property subject to hazard			2,271,800	2,234,583	37,217
	Less efficiencies achieved to control government growth					
		83,636,074	6,079,804	6,079,804	6,079,804	
		(2,580,000)	6,914,525	90,550,599	89,299,836	1,250,763
		81,056,074	6,914,525	87,970,599	89,299,836	(1,329,237)
Ministry of Finance						
86	Minister's office	176,348				
	Supplement—Special Warrant No. 6		40,000			
	Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
87	Economics and Policy Division	1,429,563	5,858	222,206	214,483	7,723
88	Treasury Board Staff	1,891,402		1,429,563	1,295,399	134,164
89	Revenue Division	18,718,431		1,891,402	1,687,519	203,883
	Supplement—Special Warrant No. 6		1,025,000			
90	Office of the Comptroller General	6,014,700		19,743,431	19,139,330	604,101
				6,014,700	5,057,369	957,331

91 Treasury and Administration Division Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 20 (3))	19,355,921	17,299,866	36,655,787	32,719,267	3,936,520
92 Government agencies Supplement—Special Warrant No. 6	10,315,580				1,814,271
93 Purchasing Commission	2,243,696		12,383,080	10,568,809	227,688
94 Provincial Capital Commission	803,546		2,243,696	2,016,008	27,221
95 Interest on public debt	16,924,299		803,546	776,325	6,526
96 Contingencies (all Ministries) Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	12,600,000		16,924,299	16,917,773	
97 Building occupancy charges Statutory— <i>Capital Commission Act</i> (R.S.B.C. 1979, chap. 42, sec. 10)—Crystal Garden restoration <i>Crown Proceeding Act</i> (R.S.B.C. 1979, chap. 86, sec. 13 (4))—Judgments against the Crown <i>Crown Proceeding Act</i> (R.S.B.C. 1979, chap. 86, sec. 14 (4))—Judgments against the Crown <i>Financial Administration Act</i> (1981, chap. 15, sec. 24 (c))—Interest on revenue refunds <i>Trade and Convention Centre Act</i> (1980, chap. 58, sec. 4)—Victoria <i>Unclaimed Money Act</i> (R.S.B.C. 1979, chap. 418, sec. 4) Less efficiencies achieved to control government growth	110,124		12,710,124	12,710,124	28,684
	4,257,000		4,257,000	4,228,316	
		109,186	109,186	109,186	
		645,454	645,454	645,454	
		769,647	769,647	769,647	
		450,439	450,439	450,439	
		725,941	725,941	725,941	
		22,444	22,444	22,444	
	94,730,486		118,001,945	110,053,833	7,948,112
	(2,700,000)		(2,700,000)		(2,700,000)
	92,030,406	23,271,459	115,301,945	110,053,833	5,248,112
Ministry of Forests					
98 Minister's Office Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12) 99 Provincial forest and range resource management 100 Regional forest and range resource management 101 District forest and range resource management 102 Reservoirs 103 Fire Suppression Program Statutory— <i>Forest Act</i> (R.S.B.C. 1979, chap. 140, sec. 124 (4)) 104 Building occupancy charges	160,231	5,858	166,089	157,834	8,255
			40,167,894	38,928,199	1,239,695
			45,626,030	43,574,664	2,051,366
			58,710,846	56,372,333	2,338,513
			10		10
	8,418,971				
	10,392,117	30,805,004	39,223,975	39,223,975	998,769
		10,392,117	10,392,117	9,393,348	

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures \$	Net Under (Over) Expenditures \$
		Main Estimates Voted \$	Other Authorizations \$	Total \$		
Ministry of Forestry—Continued						
105	Computer and consulting charges Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 24 (c))— Interest on revenue refunds	6,160,063		6,160,063	5,778,383	381,680
			16,167	16,167		
	Less efficiencies achieved to control government growth	169,636,162 (7,000,000)	30,827,029	200,463,191 (7,000,000)	193,444,903	7,018,288 (7,000,000)
		162,836,162	30,827,029	193,663,191	193,444,903	18,288
Ministry of Health						
106	Minister's office Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)	205,728				
107	Administration and support services	21,954,338	7,394	213,122	193,644	19,478
108	Preventive services	50,339,865		21,954,338	19,595,406	2,358,932
109	Direct community care services	336,349,487		50,339,865	48,081,444	2,258,421
110	Supplement—Special Warrant No. 8 Hospital Programs	1,043,175,935	14,386,000	350,735,487	332,802,022	17,933,465
	Supplement—Special Warrant No. 8 Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))		42,682,000			
111	Medical Services Commission	451,814,000	13,459,261	1,099,317,196	1,099,317,196	
112	Emergency Health Services Commission	40,644,450		451,814,000	451,814,000	
113	Supplement—Special Warrant No. 8 Forensic Psychiatric Services Commission	6,235,795	4,586,000	45,230,450	45,195,767	34,683
114	Alcohol and Drug Commission	10		6,235,795	6,168,683	67,112
115	Building occupancy charges	31,613,182		10	10	10
116	Computer and consulting charges	2,944,110		31,613,182	31,440,905	172,277
			75,120,655	2,944,110	2,942,560	1,550
		1,985,276,900 (110,200,000)		2,060,397,555 (110,200,000)	2,037,551,627	22,845,928 (110,200,000)
	Less efficiencies achieved to control government growth	1,975,076,900	75,120,655	2,050,197,555	2,037,551,627	12,645,928

Ministry of Human Resources

117 Minister's office	233,936				
Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
118 Direct community services and administrative support	85,100,643		239,794	205,831	33,963
119 Services for families and children	103,554,638	5,858	85,100,643	79,599,985	5,500,658
120 Health services	72,947,243		103,554,638	101,999,902	1,554,736
Supplement—Special Warrant No. 16					
121 Community projects	26,409,217	3,800,000	76,747,243	73,366,525	3,380,718
122 G.A.I.N. programs	467,150,397		26,409,217	24,952,022	1,457,195
123 Special programs for the retarded	60,615,917		467,150,397	463,384,146	3,766,251
124 Building occupancy charges	21,601,000		60,615,917	55,042,270	5,573,647
125 Computer and consulting charges	6,458,500		21,601,000	20,136,402	1,464,598
			6,458,500	4,155,962	2,302,538
	844,071,491	3,805,858	847,877,349	822,843,045	25,034,304
Less efficiencies achieved to control government growth	(8,000,000)		(8,000,000)		(8,000,000)
	836,071,491	3,805,858	839,877,349	822,843,045	17,034,304

Ministry of Industry and Small Business Development

126 Minister's office	204,312				
Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
127 Administration	5,067,086	5,858	210,170	186,866	23,304
128 Trade and Industry Division	3,681,067		5,067,086	3,770,051	1,297,035
129 Program implementation and co-ordination	5,383,039		3,681,067	3,196,242	484,825
130 Small business services	1,233,035		5,383,039	4,299,846	1,083,193
131 Grants	7,112,500		1,233,035	887,269	345,766
132 North East coal development	22,930,000		7,112,500	6,284,007	828,493
Supplement—Special Warrant No. 11					
133 British Columbia Railway—debt servicing	70,000,000	45,000,000	67,930,000	58,342,538	9,587,462
134 Federal-Provincial Shared-cost programs	29,895,806		70,000,000	70,000,000	
135 Building occupancy charges	1,027,000		29,895,806	20,157,851	9,737,955
136 Computer and consulting charges	913,800		1,027,000	891,537	135,463
Statutory— <i>Trade and Convention Centre Act</i> (1980, chap. 58, sec. 2 (1))—Vancouver			913,800	858,620	55,180
			2,321,692	2,321,692	
	147,447,645	47,327,550	194,775,195	171,196,519	23,578,676
Less efficiencies achieved to control government growth	(400,000)		(400,000)		(400,000)
	147,047,645	47,327,550	194,375,195	171,196,519	23,178,676

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures \$	Net Under (Over) Expenditures \$
		Main Estimates Voted \$	Other Authorizations \$	Total \$		
Ministry of Intergovernmental Relations						
137	Minister's office Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)	123,656				
138	Intergovernmental relations	2,455,662	9,858	129,514	120,527	8,987
139	Building occupancy charges Statutory— <i>Public Service Act</i> (R.S.B.C. 1979, chap. 343, sec. 78)—Medical expenses, London, England	113,000		113,000	2,225,784	229,878
			15,172	15,172	87,133	25,867
	Less efficiencies achieved to control government growth	2,692,318 (175,000)	21,030	2,713,348 (175,000)	15,172	264,732 (175,000)
		2,617,316	21,030	2,638,346	2,448,616	189,732
Ministry of Labour						
140	Minister's office Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)	147,796				
141	Ministerial management and policy development	3,433,679	9,858	153,654	126,916	26,738
142	Industrial relations and occupational safety	5,139,035		3,433,679	2,909,717	523,962
143	Manpower	43,372,956		5,139,035	4,680,371	458,664
144	Safety engineering	7,411,531		48,372,956	37,584,024	5,788,932
145	Human rights programs	1,184,429		7,411,531	7,019,252	392,279
146	Boards and agencies Supplement—Special Warrant No. 12	2,473,010	200,000	1,184,429	1,100,083	84,346
147	Building occupancy charges	2,450,779		2,673,010	2,472,959	200,051
148	Computer and consulting charges Less efficiencies achieved to control government growth	885,470	205,856	2,450,779	2,367,296	83,483
		66,498,685 (1,375,000)	205,856	66,704,543 (1,375,000)	846,130	7,597,795 (1,375,000)
		96,123,685	205,856	65,329,543	59,106,748	6,222,795

Ministry of Lands, Parks and Housing

149 Minister's office	156,974				
Supplement—Special Warrant No. 17					
Statutory— <i>Legislative Assembly's Allowances and Pension Act</i>					
(R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
150 Administration			173,832	165,528	8,304
151 Lands and housing	3,957,179	5,858	3,957,179	3,854,427	102,752
152 Parks and outdoor recreation	40,415,673		40,415,673	38,110,807	2,304,866
153 Ministry enterprises	26,452,233		26,452,233	25,031,643	1,420,590
154 Building occupancy charges	10		10		10
155 Computer and consulting charges	2,378,000		2,378,000	2,314,673	63,327
	1,354,100		1,354,100	1,330,333	23,767

Less efficiencies achieved to control government growth

3,923,616
(2,200,000)

1,723,616

Ministry of Municipal Affairs

156 Minister's office	186,675				
Supplement—Special Warrant No. 13					
Statutory— <i>Legislative Assembly's Allowances and Pension Act</i>					
(R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
157 General administration			217,533	194,911	22,622
158 Grants, contributions and subsidies	3,426,275	5,858	3,426,275	3,148,768	277,487
Statutory— <i>Sewerage Assistance Act</i> (R.S.B.C. 1979, chap. 384, sec. 2)					
159 Revenue Sharing Fund			75,030,910	75,030,910	
160 Central ministry services	213,800,000		213,800,000	213,800,000	
161 Transit services	596,514		596,514	575,433	21,081
162 Building occupancy charges	92,675,151		92,675,151	89,757,666	2,917,485
163 Computer and consulting charges	504,000		504,000	459,956	44,044
Supplement—Special Warrant No. 13					
	143,750		173,750	172,293	1,457

Less efficiencies achieved to control government growth

3,284,176
(220,000)

3,064,176

Ministry of Provincial Secretary and Government Services

164 Minister's office	195,103				
Statutory— <i>Legislative Assembly's Allowances and Pension Act</i>					
(R.S.B.C. 1979, chap. 228, part 1, sec. 12)					
165 Administration			200,961	182,644	18,117
166 Culture, heritage and recreation	5,193,418	5,858	5,193,418	4,868,304	325,114
167 Government services	31,111,492		31,111,492	23,324,223	7,787,269
168 Transpo '86	16,503,048		16,503,048	12,304,531	4,198,517
169 British Columbia Lottery Branch	2,500,000		2,500,000	2,499,989	11
	10		10		10

3,284,176
(220,000)

3,064,176

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Actual Expenditures \$	Net Under (Over) Expenditures \$
		Mean Estimates Voted \$	(Other Authorizations \$	Total \$		
Ministry of Provincial Secretary and Government Services—Continued						
170	Unemployment Insurance and Workers' Compensation Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	19,174,000				
171	<i>Public Inquiries Act</i> (now <i>Inquiry Act</i>) Statutory— <i>Inquiry Act</i> (R.S.B.C. 1979, chap. 198, part 2, sec. 18)	10	3,743,714	22,917,714	22,917,714	
172	Provincial Elections Branch	975,504	58,883	58,883	58,883	
173	Government Employee Relations Bureau	11,874,590	975,504	975,504	975,504	2,334,303
174	Public Service Commission administration	4,042,381	11,874,590	4,042,381	3,913,903	128,478
175	Salary and benefits—sundry employees	300,000		300,000	181,222	118,778
176	Superannuation Branch	2,964,018	2,964,018	2,964,018	2,911,105	52,913
177	Public Service superannuation and retirement benefits	80,345,000	80,345,000	80,345,000	79,392,298	952,702
178	<i>Legislative Assembly Allowances and Pension Act</i>	260,000	260,000	260,000	252,717	7,283
179	Employee benefits	40,086,000	40,086,000	40,086,000	37,051,353	3,034,647
180	Government information services Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	1,336,971				
181	Building occupancy charges	11,950,600	9,743	1,346,714	1,346,714	
182	Computer and consulting charges Statutory— <i>Election Act</i> (R.S.B.C. 1979, chap. 103, sec. 191 (1))	2,149,000		11,950,600	11,909,593	41,007
				2,149,000	2,081,080	67,920
	Less efficiencies achieved to control government growth	230,961,145	1,545,316	1,545,316		
		230,961,145	5,363,504	236,324,649	217,257,580	19,067,069
		229,180,145	5,363,504	234,543,649	217,257,580	17,292,069
Ministry of Tourism						
183	Minister's office Statutory— <i>Legislative Assembly Allowances and Pension Act</i> (R.S.B.C. 1979, chap. 228, part 1, sec. 12)	186,530				
184	Administrative and support services	972,158	5,858	192,388	184,117	8,271
185	Operational services	5,456,854		972,158	813,019	159,139
186	Marketing services Statutory— <i>Financial Administration Act</i> (1981, chap. 15, sec. 23 (3))	7,249,814		5,456,854	5,229,054	227,800
187	Building occupancy charges	880,000	1,428,770	8,678,564	8,678,564	
				880,000	837,992	42,008

180 Computer and consulting charges
Statutory—Public Service Act (R.S.B.C. 1979, chap. 343, sec. 78)—Medical expenses, California, U.S.A.

Less efficiencies achieved to control government growth

Ministry of Transportation and Highways

189 Minister's office
Statutory—Legislative Assembly Allowances and Pension Act (R.S.B.C. 1979, chap. 228, part 1, sec. 12)

190 General administration—Highways

191 General administration—Transportation

192 Highway maintenance

193 Highway construction—Capital

Statutory—Financial Administration Act (1981, chap. 15, sec. 23 (3))

194 Hydro development—Highways

195 Engineering Branch

196 Motor Vehicle Branch

197 Motor Carrier Branch

198 Motor Carrier Commission

199 Transportation Policy Analysis Branch

200 Air Services Branch

201 Air Transport Assistance Program

202 British Columbia Ferries

203 British Columbia Railway

204 Building occupancy charges

205 Computer and consulting charges

Less efficiencies achieved to control government growth

Ministry of Universities, Science and Communications

206 Minister's office
Statutory—Legislative Assembly Allowances and Pension Act (R.S.B.C. 1979, chap. 228, part 1, sec. 12)

207 Ministry administration

208 Universities

Statutory—Financial Administration Act (1981, chap. 15, sec. 23 (3))

209 Metric conversion

210 Science and technology

PUBLIC ACCOUNTS 1981/82

B 51

259,900	259,900	211,647	47,253
15,034,256 (12,20,000)	4,112 16,442,966 (2,20,000)	4,112 15,958,525	484,471 (2,20,000)
14,794,256	1,438,740	15,958,525	284,471
213,962			
7,679,067	5,858	205,210	14,610
1,064,894		7,416,728	262,339
195,919,712		995,154	69,740
288,993,088		190,976,205	4,943,507
2,446,179	291,459,267	291,459,267	10
10	1,070,533	1,037,079	33,454
23,582,731	19,984,369	19,984,369	3,598,362
1,360,825	1,330,870	1,330,870	29,955
354,851	326,669	326,669	28,182
1,439,776	773,015	773,015	666,761
3,798,669	3,726,671	3,726,671	71,998
4,000,000	3,677,034	3,677,034	322,966
63,713,476	63,712,166	63,712,166	1,310
13,200,000	13,151,155	13,151,155	48,845
19,717,071	19,048,779	19,048,779	668,292
4,892,550	4,877,310	4,877,310	15,240
631,001,215 (12,400,000)	633,473,252 (12,400,000)	632,697,681	10,775,571 (12,400,000)
616,601,215	2,472,037	622,887,581	(1,824,429)
147,480			
1,154,371	7,394	146,413	8,381
323,865,928	1,154,371	979,231	175,140
286,335	2,701,746	326,567,674	28,682
8,260,524		257,653	
		8,260,524	

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1982

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations			Net Under (Over) Expenditures \$
		Mean Estimates Voted \$	Other Authorizations \$	Total \$	
	Ministry of Universities, Science and Communications—Continued				
211	Telecommunications Service Branch	22,938,029		22,938,029	1,531,958
212	Communications System Development and Regulation Branch	2,315,883		2,315,883	786,633
213	Building occupancy charges	191,000		191,000	80,879
214	Computer and consulting charges	122,200		122,200	1
		359,481,670	2,709,140	362,190,810	2,571,674
	Less efficiencies achieved to control government growth	(180,000)		(180,000)	(180,000)
		359,301,670	2,709,140	362,010,810	2,391,674

Other Appropriations

Other Expenditure

Agricultural Land Development Fund transfer (Agricultural Land Development Act, sec. 1.1)	16,990,418	16,990,418	16,990,418	
British Columbia Buildings Corporation—property transfer (Financial Administration Act, (1981, chap. 15, sec. 14 (1)))	5,918,571	5,918,571	5,918,571	
Donation of investment in British Columbia Resources Investment Corporation (Resource Investment Corporation Act (R.S.B.C. 1979, chap. 366, part 5, sec. 17))	25,019,744	25,019,744	25,019,744	
Farm Products Industry Improvement Fund (Farm Product Industry Act (R.S.B.C. 1979, chap. 124, sec. 6(1), 1983 amendment))	1,897,671	1,897,671	1,897,671	
Industrial Development Subsidiary Agreement Loan Repayment Revolving Fund transfer (Industrial Development Fund Act (R.S.B.C. 1979, chap. 184, sec. 1))	17,600,148	17,600,148	17,600,148	
Pentecost Indian Band—Land cut-off claim settlement (Special Warrant No. 3)	1,000,000	1,000,000	1,000,000	
	68,428,552	68,428,552	68,428,552	

Special Purpose Appropriation Act, 1980

Labour:

Youth Employment and Training (sec. 1 (p))

Lands, Parks and Housing:

Accelerated Park Development (sec. 1 (o))

Accelerated Construction of Senior Citizens' Housing (sec. 1 (q))

	397,714	397,714	397,707	7
	1,508,555	1,508,555	1,333,740	254,815
	1,000,000	1,000,000	1,000,000	
	<u>2,906,269</u>	<u>2,906,269</u>	<u>2,731,447</u>	<u>254,822</u>
	38,367	38,367	38,367	
	<u>71,451,108</u>	<u>71,451,108</u>	<u>71,196,366</u>	<u>254,822</u>
	<u>350,080,238</u>	<u>350,080,238</u>	<u>6,868,005,092</u>	<u>91,095,146</u>
	<u>6,810,300,000</u>			

Financial Administration Act, Sec. 22

Trinity Western College

Total Other Appropriations

Total General Fund Expenditure:

**STATEMENT OF MONEY REFUNDED UNDER PROVISIONS OF SECTION 20 OF THE
"REVENUE ACT" R.S.B.C., 1979, SUPERSEDED BY SECTION 13 OF THE "FINANCIAL
ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

Description of Item	\$
Attorney General:	
Land Title Registration Fees	352,427
Public Trustee Commission	3,119
Miscellaneous Refunds each less than \$2,000	2,733
Total: Attorney General	358,279
Education:	
Correspondence Sales and Service Fees	21,446
Energy, Mines and Petroleum Resources:	
Mineral Act	81,850
Placer Leases	2,580
Petroleum Royalties	3,641
Total: Energy, Mines and Petroleum Resources	88,071
Finance:	
Succession Duty	26,982
Debenture Registration Fees	4,400
Total: Finance	31,382
Forests:	
Grazing Permits and Fees	2,333
Harvesting—Stumpage	155,834
Harvesting Rental and Fees	305
Forest Act Cost Claims	216,691
Overpayments	33,948
Miscellaneous Revenue	3,380
Total: Forests	412,491
Health:	
Hospital Programs	8,504
Human Resources:	
Non Ward Care	3,867
Lands, Parks and Housing:	
Land Rental	5,729
Land Lease	16,470
Land Sales	12,539
Taxation (Rural Area) Act	2,883
Total: Lands, Parks and Housing	37,621
Transportation and Highways:	
Miscellaneous, each under \$2,000	2,591
Total: All Ministries	964,252

Note: Section 13 of the *Financial Administration Act, 1981* authorizes money to be refunded under the following conditions:

- (a) "Money received by the government that is erroneously paid or collected, or
- (b) for any purpose that is not fulfilled."

These payments are reflected in the main statements of the Province.

**STATEMENT OF ASSETS AND UNCOLLECTIBLE DEBTS WRITTEN OFF UNDER
PROVISIONS OF SECTION 21 OF THE "REVENUE ACT" R.S.B.C., 1979, SUPERSEDED BY
SECTION 14 OF THE "FINANCIAL ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR
ENDED MARCH 31, 1982**

Description of Item	\$
Attorney General:	
Provincial Court Fees and Fines	393,248
Miscellaneous, each under \$2,000	600
Total: Attorney General	<u>393,848</u>
Energy, Mines and Petroleum Resources:	
Miscellaneous, each under \$2,000	<u>750</u>
Finance:	
Social Service Tax	662,911
Hotel Room Tax	190,391
Logging Tax	65,805
Succession Duty	7,839
Miscellaneous, each under \$2,000	734
Total: Finance	<u>927,680</u>
Health:	
Maintenance	743,274
Uncollectible per diem	7,552
Total: Health	<u>750,826</u>
Human Resources:	
Bad debt—Richmond Friendship Home Society	<u>12,174</u>
Lands, Parks and Housing:	
Miscellaneous, each under \$2,000	<u>300</u>
Provincial Secretary and Government Services:	
Miscellaneous, each under \$2,000	<u>848</u>
Transportation and Highways:	
Miscellaneous, each under \$2,000	<u>5,077</u>
Other:	
British Columbia Buildings Corporation—property transfer	5,918,571
British Columbia Railway Company—investment written off	45,000,000
Total: Other	<u>50,918,571</u>
Total:	<u>53,010,074</u>

Note: Section 14 of the *Financial Administration Act, 1981* authorizes an asset, a debt or an obligation to be written off if it is unrealizable or uncollectible. These write-offs are reflected in the main statements of the Province.

**STATEMENT OF DEBTS EXTINGUISHED PURSUANT TO SECTION 15 OF THE
"FINANCIAL ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR ENDED
MARCH 31, 1982**

Description of Item	\$
Nil	

Note: Section 15 of the *Financial Administration Act, 1981* authorizes the Lieutenant Governor in Council to forgive in whole or in part, a debt or obligation that is due and owing to the government.

**STATEMENT OF REMISSIONS UNDER PROVISIONS OF SECTION 46 (1) OF THE
"REVENUE ACT", R.S.B.C., 1979, SUPERSEDED BY SECTION 16 (1) OF THE "FINANCIAL
ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

Description of Item	\$
Tobacco Tax	11,755
Social Service Tax	2,186
Hotel Room Tax	1,277
Royalties: Petroleum and Natural Gas	11,181
Total	<u>26,399</u>

Note: Section 16 (1) of the *Financial Administration Act, 1981* authorizes the Lieutenant Governor in Council to remit:

- (a) "any tax, royalty, fee or other sum that is paid or payable to the government and that is imposed or authorized to be imposed by an enactment, or
- (b) any forfeiture, fine or pecuniary penalty imposed or authorized to be imposed by an enactment, notwithstanding that the whole or part of it is payable to another person"

where he "considers it in the public interest to do so . . . where great public inconvenience, great injustice or great hardship to a person has occurred or is likely to occur." These remissions are reflected in the main statements of the Province.

**STATEMENT OF PAYMENTS BASED ON CONTRIBUTIONS PURSUANT TO SECTION 22 (2)
OF THE "FINANCIAL ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR ENDED
MARCH 31, 1982**

Ministry	Agreement Description	\$
Energy, Mines and Petroleum Resources	— Staff exchange with Federal Government	29,414
	— British Columbia Utilities—Commission	
	Hearing—British Columbia Hydro Site C	218,167
Environment	— Salmonid Enhancement Program	19,178
	— Ambient Air Monitoring	66,601
Forests	— Forest Biomass Evaluation Study	60,000
	— Queen Charlotte Island Fish Forest Interaction Study	52,000
Health	— Out of Province Hospital Insurance Reciprocal Agreements	1,212,826
Provincial Secretary and Government Services	— Maintenance of Provincial Art Collection	7,207
	— Historic Resource Site Survey and Assessment—Pacific Rim National Park	18,005
Transportation and Highways	— Marine Terminal Facilities Study	125,000
Universities, Science and Communications	— Trinity Western College	38,367
Total		<u>1,846,855</u>

Note: Section 22 (2) of the *Financial Administration Act, 1981* authorizes payments "where under an Act, agreement or undertaking:

- (a) money is payable to the government, or
- (b) money has been received by the government"

**STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES PURSUANT TO SECTION 54 (3)
OF THE "FINANCIAL ADMINISTRATION ACT", 1981 FOR THE FISCAL YEAR ENDED
MARCH 31, 1982**

Description of Item	Total Lease Payments
March 26, 1982—Lease of 70-automobile ferry, <i>M.V. Quinsam</i> at \$81,130 per month	\$
Initial term—April 1, 1982 to March 1, 1985	2,920,680
First option—April 1, 1985 to September 1, 1987	2,433,900
Second option—October 1, 1987 to March 26, 1997	9,248,820
Purchase option, March 26, 1997	310,000

Note: Section 54 (3) of the *Financial Administration Act, 1981* requires disclosure of the financial obligations of the government under a lease where substantially all of the risks and benefits of ownership of the property has been transferred to the government.

**STATEMENT OF PAYMENTS MADE TO HONOUR GUARANTEES PURSUANT TO
SECTION 58 (3) OF THE "FINANCIAL ADMINISTRATION ACT", 1981
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

Description of Item	\$
Agricultural Credit Act—W.H. Ranches Ltd.	433,074
Farm Products Industry Improvement Fund	
South Peace Dehydrated Products	500,000
Maplewood Poultry Ltd., Clearbrook	147,460
Total	<u>1,080,534</u>

Note: Section 58 (3) of the *Financial Administration Act, 1981* authorizes payments to honour guarantees and indemnities where the government has entered into an agreement to give a guarantee in connection with the issue and sale of securities. These payments are reflected in the main statements of the Province.

SECTION C

CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE

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SUPPLEMENTARY SCHEDULES

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Schedule of Equity in Transportation Companies	C 29



**CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

PREAMBLE

Consolidated Financial Statements are included in the Public Accounts for the second successive year. These statements aggregate the Consolidated Revenue Fund, which comprises the General Fund and Special Purpose Funds, and certain Crown corporations: namely, those Crown corporations which exist to service the Government ("service" corporations) and those Crown corporations which conduct Government activities and complement Government programs ("provincial" corporations). These corporations are more fully described in Note 1 to these consolidated financial statements. The financial statements of those Crown corporations which have been consolidated have been adjusted to the Government's accounting policies upon consolidation to provide consistent reporting. Crown corporations which are similar to commercial enterprises and run on commercial lines (termed "commercial" and "transportation" companies) have not been consolidated; the Government's investment in those enterprises has simply been adjusted to reflect the underlying equity in them.

These comprehensive statements are presented to disclose the economic impact of the Government and the state of its finances in a manner that will assist in the assessment of these matters.



**REPORT OF THE AUDITOR GENERAL
ON THE CONSOLIDATED FINANCIAL STATEMENTS
INCLUDED IN THE PUBLIC ACCOUNTS
OF THE PROVINCE OF BRITISH COLUMBIA**

*To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia*

I have examined the Consolidated Financial Statements of the Government of the Province of British Columbia for the fiscal year ended March 31, 1982 as presented in Section C of the Public Accounts, and the related supplementary schedules contained in sub-sections C27 through C29. These financial statements are:

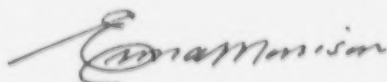
Consolidated Balance Sheet
Consolidated Statement of Taxpayers' Equity
Consolidated Statement of Operating Results
Consolidated Statement of Changes in Cash and
Temporary Investments
Notes to Consolidated Financial Statements

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these consolidated financial statements present fairly the consolidated financial position of the Government of the Province of British Columbia as at March 31, 1982 and the consolidated results of its operations and the changes in its consolidated financial position for the year then ended on a consolidated basis in accordance with the stated accounting policies as set out in Note 1 to the consolidated financial statements applied on a basis consistent with that of the preceding year.

- 2 -

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1982

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982 \$	1981 \$
Cash and temporary investments (note 3)	771,865,030	921,561,770
Accounts receivable (note 4)	518,740,166	403,262,976
Due from Crown corporations and agencies (note 5)	17,106,142	15,929,304
Mortgages receivable (note 6)	189,304,135	187,945,280
Prepaid program costs (note 7)	72,848,330	
Inventories (note 8)	38,110,585	37,829,254
Investments in Crown corporations—at equity (note 9)	692,024,735	450,715,219
Property under development (note 10)	66,006,762	69,634,858
Fixed assets (note 11)	1	1
Other assets (note 12)	286,388,914	332,101,290
	<u>2,652,394,800</u>	<u>2,418,979,952</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 13)	697,242,339	433,469,457
Deferred revenue (note 14)	107,353,615	28,366,155
Unmatured debt (note 15)	489,989,819	458,627,860
	<u>1,294,585,773</u>	<u>920,463,472</u>
TAXPAYERS' EQUITY		
Taxpayers' equity	1,357,809,027	1,498,516,480
	<u>2,652,394,800</u>	<u>2,418,979,952</u>
TRUST FUNDS UNDER ADMINISTRATION (notes 2 and 17)	<u>7,104,655,358</u>	<u>5,171,313,268</u>
CONTINGENT LIABILITIES		
Guaranteed debt (note 18)	9,672,891,936	8,064,099,060
Other (note 19)		

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Ministry of Finance.

L. I. BELL

*Deputy Minister of Finance and
Secretary of Treasury Board*

D. B. MARSON

Acting Comptroller General

**CONSOLIDATED STATEMENT OF TAXPAYERS' EQUITY
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

	1982			1981
	Government and Government Enterprises	Commercial and Transportation Companies	Total	Total
	\$	\$	\$	\$
Taxpayers' equity—beginning of year				
As previously reported	1,133,218,284	352,743,718	1,485,962,002	1,708,764,768
Prior period adjustments (note 16)				
British Columbia Railway Company		12,478,000	12,478,000	
British Columbia Research Council	(1,764,565)		(1,764,565)	(1,452,511)
Expo '86	66,263		66,263	
Provincial Capital Commission	1,774,780		1,774,780	3,127,845
	76,478	12,478,000	12,554,478	1,675,334
As restated	1,133,294,762	365,221,718	1,498,516,480	1,710,440,102
Consolidated operating results for the year				
Net revenue (expenditure) for the year	(335,855,662)		(335,855,662)	(353,334,405)
Change in net equity in Commercial and Transportation companies		195,148,209	195,148,209	141,410,783
	(335,855,662)	195,148,209	(140,707,453)	(211,923,622)
Taxpayers' equity—end of year	797,439,100	560,369,927	1,357,809,027	1,498,516,480

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982

	1982		1981	
	Consolidated Revenue Fund	Consolidated Comm Corporations	Transfers Between Consolidated Revenue Fund and Comm Corporations	Total
Revenue	\$	\$	\$	\$
Taxation	4,216,695,833			4,216,695,833
Natural resources	598,369,455	843,748		599,213,203
Other	646,708,182	247,233,709	(12,601,683)	881,340,208
Contributions from Government enterprises	326,520,210	451,314,760	(581,830,748)	196,004,222
Contributions from other governments	1,115,154,983	75,000		1,115,229,983
Total revenue	6,903,448,673	699,467,217	(594,432,431)	7,008,483,459
Expenditure				
General government	303,263,660		(9,163,340)	294,100,320
Protection of persons and property	318,726,945	14,647,906	(13,601,835)	319,773,016
Transportation and communications	646,789,377	2,376,551	(2,500,000)	646,665,928
Health and social services	2,898,735,753	793,714,271	(483,889,396)	3,208,560,628
Recreation and cultural services	76,174,313	1,005,200	(1,082,544)	76,096,969
Education	1,549,947,904	3,083,181	(2,991,910)	1,550,039,175
Natural resources and primary industries	497,545,227		(62,315)	497,482,912
Trade and industrial development	86,331,138	17,978,494	(64,193,396)	40,116,236
Housing	113,453,034	16,150,176	(12,987,695)	116,605,515
Aid to local government	361,311,119	2,345,626		363,656,745
Interest on public debt	16,917,773			16,917,773
Grants and contributions	136,510,050			136,510,050
Other	91,763,854		(3,950,000)	87,813,854
Total expenditure	7,087,470,147	851,301,405	(594,432,431)	7,344,339,121
Net Revenue (Expenditure) For The Year	(184,021,474)	(151,834,188)		(335,855,662)
Change in Net Equity in Commercial and Transportation Companies				195,148,209
Consolidated Net Revenue (Expenditure) for the Year				(140,707,453)

The accompanying notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN CASH
AND TEMPORARY INVESTMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982**

	1982 \$	1981 \$
Balance—Beginning of Year	<u>921,561,770</u>	<u>1,191,000,410</u>
Operating Transactions		
Revenue	7,008,483,459	5,974,790,261
Expenditure	<u>7,344,339,121</u>	<u>6,328,124,666</u>
Net expenditure	(335,855,662)	(353,334,405)
Change in net equity in commercial and transportation companies	<u>195,148,209</u>	<u>141,410,783</u>
Consolidated Net Revenue (Expenditure)	(140,707,453)	(211,923,622)
Add (deduct): non-cash items included in net revenue (see below)	(23,290,942)	(2,367,704)
cash items applicable to future operations (see below)	<u>6,139,130</u>	<u>28,333,825</u>
Used for operations	(157,859,265)	(185,957,501)
Financing Transactions		
Receipts:		
Mortgage principal repayments	25,597,901	46,653,939
Repayment of investments in and advances to Crown corporations	8,838,694	10,311,845
Property sales—net	3,628,096	4,465,244
Repayments of other assets	32,816,644	8,805,475
Debt issues of consolidated entities	<u>101,619,000</u>	<u>96,425,000</u>
	<u>172,500,335</u>	<u>166,661,503</u>
Disbursements:		
Mortgages issued	26,956,757	16,441,028
Investments in and advances to Crown corporations	55,000,000	
Investments in other assets	12,124,012	204,335,793
Debt retirement	<u>70,257,041</u>	<u>29,365,821</u>
	<u>164,337,810</u>	<u>250,142,642</u>
Received from (used for) financing transactions	<u>8,162,525</u>	<u>(83,481,139)</u>
Decrease in Cash and Temporary Investments	<u>(149,696,740)</u>	<u>(269,438,640)</u>
Balance—End of Year	<u>771,865,030</u>	<u>921,561,770</u>

**CONSOLIDATED STATEMENT OF CHANGES IN CASH
AND TEMPORARY INVESTMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

	1982 \$	1981 \$
Non-Cash Items Included in Consolidated Net Revenue		
Change in accounts receivable	(115,477,190)	78,269,464
Change in accounts due from Crown corporations	(1,176,838)	114,995
Change in inventories	(281,331)	(1,990,666)
Change in accounts payable	263,772,882	42,644,428
British Columbia Resources Investment Corporation		
—Revaluation of shares		22,004,858
—Donation of shares	25,019,744	
Change in net equity in non-consolidated entities (commercial and transportation companies)	(195,148,209)	(141,410,783)
	<u>(23,290,942)</u>	<u>(2,367,704)</u>
Cash Items Applicable to Future Operations		
Change in prepaid program costs	(72,848,330)	
Change in deferred revenue	78,987,460	28,333,825
	<u>6,139,130</u>	<u>28,333,825</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982

1. Significant Accounting Policies

REPORTING ENTITY

These financial statements include the accounts of the following entities which have been consolidated for reporting purposes:

- (a) the General Fund which comprises all transactions of the Government not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission;
- (b) the Special Purpose Funds, which comprise all amounts set aside from the General Fund by special disposition of the Legislature for specific purposes;
- (c) Crown Service corporations comprised of British Columbia Buildings Corporation and British Columbia Systems Corporation which are considered to be extensions of existing Government programs; and
- (d) certain provincial corporations and agencies which are considered to support existing Government programs:

British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Housing Management Commission
British Columbia Petroleum Corporation
British Columbia Place Ltd.
Creston Valley Wildlife Management Authority Trust Fund
Discovery Foundation
Expo 86 Corporation (formerly Transpo 86)
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Legal Services Society
Medical Services Commission of British Columbia
Provincial Capital Commission
Provincial Rental Housing Corporation
Science Council of British Columbia
Universities Council
University of British Columbia Health Sciences Centre

The following Crown corporations which have been identified as transportation and commercial enterprises, and which are intended to be run on commercial lines, are recorded in these financial statements on an equity basis:

British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Harbours Board
British Columbia Hydro and Power Authority
British Columbia Railway Company
British Columbia Steamship Company (1975) Ltd.
Housing Corporation of British Columbia
Insurance Corporation of British Columbia—excluding the Insurance (Motor Vehicle) Act Fund
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited
Surrey Farm Products Investments Ltd.
Urban Transit Authority

The following entities are neither consolidated nor recorded on an equity basis because they are legally distinct from Government and they are controlled by separately elected authorities who are required to report separately on their stewardship:

British Columbia Assessment Authority
British Columbia Institute of Technology

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

1. Significant Accounting Policies—Continued

Pacific Vocational Institute
Simon Fraser University
University of British Columbia
University of Victoria

The following financing authorities are neither consolidated nor recorded on an equity basis because they are designed to finance institutions which are managed by separately elected authorities and the entities that they fund substantially derive revenues from local tax bases to repay their debt:

British Columbia Educational Institutions Capital Financing Authority
British Columbia Regional Hospital Districts Financing Authority
British Columbia School Districts Capital Financing Authority

The Workers' Compensation Board of British Columbia has neither been consolidated nor recorded on an equity basis because it carries on a quasi-insurance activity funded by contributions from employers and it is not intended to be run on commercial lines. Similarly, the activities of the Insurance (Motor Vehicle) Act Fund have neither been consolidated nor recorded on an equity basis because it operates as a self-sustaining entity.

Separate financial statements for the entities noted above are published in Section F of the Public Accounts.

PRINCIPLES OF CONSOLIDATION

The accounts of the Crown Service and Provincial corporations have been consolidated, in accordance with stated Government policies, with the General Fund and Special Purpose Funds after adjusting those accounts to a basis consistent with the accounting policies described below.

The transportation and commercial enterprises which maintain their accounts in accordance with accounting principles applicable to commercial entities, are included on an equity basis without adjusting them to a basis consistent with the accounting policies described below.

No adjustments have been made, on consolidation, to those consolidated entities whose year-ends are not coterminous with those of the Government, since the effect of adjustment would not be significant to the consolidated operating results.

Inter-company accounts and inter-fund revenue and expenditure transactions have been eliminated from all accounting entities upon consolidation.

BASIS OF ACCOUNTING

The accrual basis of accounting is used which, for these financial statements, is specifically expressed as follows:

Revenue:

Payments to the Province from the Federal Government under the *Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977*, including certain taxes on income, are recorded on a cash basis because of the impracticality and uncertainty involved in their estimation. With this exception, all other revenue received into the General Fund and Special Purpose Funds and to which the Government is entitled is recorded in these accounts and, at year-end, where the Government has a legal claim upon outside parties, all amounts are recorded provided the amount has been earned.

Expenditure:

All expenditure, including the cost of fixed assets, has been recorded for all goods received and services rendered during the year and, at year-end, where the Government has recorded its obligation to outside parties, the amounts are recorded provided an invoice has been received or the expenditure can be reasonably estimated. Accumulated employee sick leave, vacation and other entitlements are recorded as expenditure in the accounts when they are paid.

Assets:

All assets are recorded to the extent that they represent claims of the Government upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Consistent with the reporting of fixed assets as expenditure, they are recorded at a nominal value of \$1. Rental payments for leases which transfer the benefits and risks incident to ownership of certain assets are reported as expenditure at the dates of inception of the leases.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

1. Significant Accounting Policies—Continued

Liabilities:

All liabilities are recorded to the extent they represent claims payable by the Government to outside parties as a result of events and transactions prior to the year-end.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the exchange rate prevailing at the year-end. Adjustments arising as a result of foreign currency translation are charged or credited to expenditure at the time the adjustments are made.

CASH AND TEMPORARY INVESTMENTS

Cash balances are shown after deducting outstanding cheques issued prior to the year-end; those issued subsequent to the year-end relating to the previous year are included with accounts payable.

Temporary investments are recorded at the lower of cost or market value.

ACCOUNTS RECEIVABLE

Accounts receivable represent only valid accounts receivable from outside parties. Provision is made where collectibility is considered doubtful.

DUE FROM CROWN CORPORATIONS AND AGENCIES

Amounts due from Crown corporations and agencies represent short-term investments and advances which will be realized in the following year. No provision for doubtful collection has been considered necessary with respect to these accounts.

MORTGAGES RECEIVABLE

Mortgages receivable comprise mortgages secured by real estate and repayable over periods ranging up to thirty years; provision is made where collectibility is considered doubtful.

PREPAID PROGRAM COSTS

Prepaid program costs represent amounts disbursed prior to the year-end in payment of program costs that will be recorded as expenditures in subsequent fiscal years.

INVENTORIES

Inventories comprise items held for resale and are valued at cost; inventories of supplies are charged to the respective programs when the cost is incurred.

INVESTMENTS IN CROWN CORPORATIONS—AT EQUITY

Investments in Crown corporations wherein the Government exercises significant influence and which are considered to be commercial activities are recorded on an equity basis of accounting. Under this method the Province increases the carrying value of its investment (including long-term advances) by any unremitted earnings and reduces it by any losses in the investee entities. Since the Government ensures the ongoing activities of the enterprise, full account is taken of losses in the investee companies, over and above the original investment.

PROPERTY UNDER DEVELOPMENT

Property under development is comprised of all property which will eventually be sold to outside parties; such property is recorded at original cost together with related development costs incurred since acquisition less a provision for future losses.

OTHER ASSETS

Other assets include loans, investments and advances which are considered to be recoverable; they are recorded at the lower of cost or net realizable value.

DEFERRED REVENUE

Deferred revenue represents amounts received prior to the year-end in payment of revenue that will be earned in subsequent fiscal years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

2. Change in Accounting Policy

In previous years Trust Funds Under Administration were maintained on the cash basis whereby revenues were taken into the accounts in the fiscal period in which they were received and expenditures were charged when the actual payments were made.

In accordance with the Government's new accounting policy, these Funds are now maintained on the accrual basis of accounting. Had these Funds been maintained on the accrual basis during the year ended March 31, 1981 they would have amounted to \$5,314,892,657.

This change in accounting policy, which has not been applied to the comparative figures for the year ended March 31, 1981, has no effect on the operating results of the Government.

3. Cash and Temporary Investments

Included in temporary investments are marketable securities which cost \$52,950 (1981: \$238,664,342) and which have a quoted market value of \$52,828 (1981: \$236,765,085), and bonds and notes of certain Crown Corporations amounting to \$154,115,260 (1981: \$53,131,562).

4. Accounts Receivable

	1982 \$	1981 \$
Government of Canada		
Shared-cost programs	55,634,992	80,249,081
Other	1,948,030	129,625
British Columbia municipalities—re: shared-cost programs	3,217,029	3,499,488
Taxes receivable	187,440,144	143,322,603
Timber royalty and stumpage and grazing fees	40,031,795	12,350,377
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	54,677,852	41,725,801
Ministerial advances and sundry agencies	4,466,758	4,777,367
Trade accounts and other receivables of the:		
Crown Land Fund	24,866,190	24,332,605
British Columbia Liquor Distribution Branch	680,165	702,657
Provincial Home Acquisition Fund	3,405,000	
Queen's Printer	335,057	252,350
Lottery Fund	3,108,664	2,923,945
Farm Income Assurance Fund	14,661,380	
Accrued interest receivable	20,126,609	28,029,483
Land sales—principal	5,114,858	1,110,672
Water and power licence fees	348,760	2,240,907
Court fees	6,851,230	5,181,431
Sundry fees	22,618,434	5,067,120
Miscellaneous accounts receivable	920,391	2,420,741
Accounts receivable of consolidated Crown corporations:		
British Columbia Buildings Corporation	4,480,000	4,658,000
British Columbia Health Care Research Foundation	240,218	113,742
British Columbia Heritage Trust	80,120	27,721
British Columbia Housing Management Commission	7,958,097	9,844,956
British Columbia Petroleum Corporation	55,528,214	22,483,565
British Columbia Place Ltd.	12,794,000	68,000
Creston Valley Wildlife Management Authority Trust Fund	359	2,745
Discovery Foundation	113,394	152,406
Expo 86	43,311	69,752
Health Facilities Association of British Columbia	1,863,641	2,892,712
Knowledge Network of the West Communications Authority	74,680	23,039
Legal Services Society	109,666	111,294
Medical Services Commission of British Columbia	1,678,976	1,534,395
Provincial Capital Commission	132,857	83,068
Science Council of British Columbia	58,812	54,147
Universities Council		6,450
University of British Columbia Health Sciences Centre	833,000	4,284,886
	536,442,683	404,727,131
Less provision for doubtful recoveries	(17,702,517)	(1,464,155)
	<u>518,740,166</u>	<u>403,262,976</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

5. Due From Crown Corporations and Agencies	1982	1981
	\$	\$
British Columbia Assessment Authority		2,280,671
British Columbia Development Corporation	6,101	14,403
British Columbia Educational Institutions Capital Financing Authority	1,110,067	
British Columbia Ferry Corporation	3,289,072	2,490,852
British Columbia Hydro and Power Authority	8,323,878	3,215,402
British Columbia Railway Company		15,086
British Columbia School Districts Financing Authority	6,753	
British Columbia Steamship Company (1975) Ltd.		26,005
Insurance Corporation of British Columbia	920,986	(2,248,666)
Metro Transit Operating Company		627,903
Urban Transit Authority		20,813
Workers' Compensation Board of British Columbia	1,518,128	1,789,337
Other agencies	1,931,157	7,697,498
	<u>17,106,142</u>	<u>15,929,304</u>

6. Mortgages Receivable	1982	1981
	\$	\$
Crown Land Fund—first mortgages, fully secured, with terms of up to 30 years and interest rates varying from 4 per cent to 22½ per cent	34,753,258	21,646,519
Provincial Home Acquisition Fund—first and second mortgages pursuant to the <i>Provincial Home Acquisition Act</i> and the <i>Home Conversion and Leasehold Loan Act</i> , fully secured, with terms of up to 25 years and interest rates varying from 8½ per cent to 15 per cent (net of provision for doubtful recoveries of \$200,000)	149,400,504	161,283,163
Mortgages receivable in the following Crown corporations:		
British Columbia Heritage Trust	155,508	
British Columbia Petroleum Corporation	127,844	137,548
British Columbia Place Ltd.	155,000	
Health Facilities Association of British Columbia	4,712,021	4,878,050
	<u>189,304,135</u>	<u>187,945,280</u>

7. Prepaid Program Costs	1982	1981
	\$	\$
<i>Guaranteed Available Income for Need Act</i>	32,676,327	
Other prepaid program costs	5,537,815	
British Columbia Petroleum Corporation, prepaid gas	34,634,188	
	<u>72,848,330</u>	

1981 comparative amounts have been included in 1981 expenditures, with no material effect on operating results for the year.

8. Inventories	1982	1981
	\$	\$
British Columbia Liquor Distribution Branch	35,175,457	28,741,009
Ministry of Environment	406,355	467,000
Ministry of Education	244,019	5,725,129
Ministry of Health	2,251,122	2,896,116
Ministry of Labour	33,632	
	<u>38,110,585</u>	<u>37,829,254</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

9. Investments in Crown Corporations —at equity

	1982			1981
	Shares and Advances	Unremitted Equity	Total	Total
	\$	\$	\$	\$
British Columbia Cellulose Company	2	9,071,625	9,071,627	9,108,033
British Columbia Development Corporation	42,500,000	7,015,155	49,515,155	47,540,351
British Columbia Ferry Corporation	5,849,700	36,542,809	42,392,509	45,029,057
British Columbia Harbours Board	10,000,000	18,239,270	28,239,270	32,613,585
British Columbia Hydro and Power Authority	8,070,096	512,581,000	520,651,096	400,710,096
British Columbia Railway Company	10,235,001	(10,980,000)	(744,999)	(66,318,999)
British Columbia Steamship Company (1975) Ltd.	5	1,042,019	1,042,104	(6,393,844)
Housing Corporation of British Columbia	1	4,707,010	4,707,001	5,787,001
Insurance Corporation of British Columbia		12,470,000	12,470,000	11,193,000
Ocean Falls Corporation		(38,133,265)	(38,133,265)	(33,125,479)
Pacific Coach Lines Limited	2	4,991,829	4,991,831	3,719,653
Surrey Farm Products Investments Ltd.	1	(588,503)	(588,502)	(532,620)
Urban Transit Authority	55,000,000	3,410,908	58,410,908	1,385,385
	<u>131,654,808</u>	<u>560,369,927</u>	<u>692,024,735</u>	<u>450,715,219</u>

For details of the computation of these figures see pages C 27 and C 28.

(a) British Columbia Railway Company

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares was \$230,572,900 and, at March 31, 1982 the amount of the debt guaranteed by the Province (net of sinking funds) was \$757,035,717.

During the year ended March 31, 1980, in view of the cumulative deficit of the Railway, the Province's investment, which amounted to \$185,572,900 at March 31, 1980, was written down to one dollar. An additional investment of \$45 million made in March, 1982 has been written off and is reflected as an expenditure for the year. (See note 19 (c)). In calculating the unremitted equity, full adjustment has been made to reflect the total write down.

During the year the Government provided \$70 million to be applied against the historic debt service charges of the Railway for the Company's fiscal year ending January 1, 1982. The Government has provided \$70 million from the General Fund to be applied against historic debt service charges of the Railway during the Company's fiscal year ending December 31, 1982, and intends to provide the historic debt service charges on an ongoing basis.

The Railway's historic debt service charges for each of the next five fiscal years ending March 31, 1983 through March 31, 1987 are estimated to be \$87.1, \$86.4, \$86.4, \$85.6 and \$85.6 million respectively.

(b) Ocean Falls Corporation

The Province, through Ocean Falls Corporation, is the owner of the newsprint mill and townsite at Ocean Falls, which were acquired in 1973 for a payment of \$789,952. In subsequent years, the Province made additional advances to the Corporation which, together with accrued interest, approximated \$12 million at March 31, 1980. Because of continuing losses incurred by the Corporation, both the investment and advance were fully provided for in the 1979/80 Public Accounts and written off by Order in Council in the 1980/81 fiscal year. In calculating the unremitted equity, full adjustment has been made to reflect this write down. After the debt to the Province had been forgiven, the Corporation had outstanding obligations of approximately \$38 million at March 31, 1982.

No provision has been made in these consolidated financial statements for the existing liabilities of Ocean Falls. However, in order to prevent the accumulation of interest on the Corporation's loans, arrangements were made during the year with a financial institution under which the Government maintains a deposit account equal to the Corporation's loan. No interest is to be earned on this deposit. In turn no interest is to be charged on the Ocean Falls loans. This arrangement will be maintained until a final evaluation of the Corporation's business is made and outstanding litigation is settled.

There are outstanding claims being pursued in the courts against the Corporation for alleged failure to meet contractual obligations which resulted from the decision to cease operations in June, 1980. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

9. Investments in Crown Corporations—at equity—Continued

Corporation disputes any liability under these claims and no provision has been made by the Corporation in estimating its liabilities and no provision has been made in these consolidated financial statements.

(c) Housing Corporation of British Columbia

The operations of the Corporation are in the process of voluntary liquidation and the investment of \$6,699,760 at March 31, 1980 has been recovered. Pending dissolution the investment is carried at the nominal value of \$1 plus unremitted equity of \$4,707,000.

10. Property Under Development

	1982	1981
	\$	\$
Crown Land Fund—real estate	<u>66,006,762</u>	<u>69,634,858</u>

11. Fixed Assets

The values listed below are recorded in the accounts of the various consolidated entities, but, for the purposes of these consolidated financial statements, the amounts have been reduced to a nominal value of \$1 to conform with the accounting policies of the Government.

	1982		1981	
	Gross	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
British Columbia Buildings Corporation	580,399,000	73,952,000	506,447,000	434,649,000
British Columbia Heritage Trust	285,619		285,619	279,402
British Columbia Housing Management Commission	715,413	287,729	427,684	472,050
British Columbia Petroleum Corporation	449,022	160,954	288,068	324,618
British Columbia Place Ltd.	132,863,760	52,760	132,811,000	68,749,000
British Columbia Systems Corporation	34,792,000	8,079,000	26,713,000	11,591,000
Discovery Foundation	18,842,296	31,124	18,811,172	5,888,255
Expo 86	103,052	13,542	89,510	29,709
Knowledge Network of the West Communications Authority	1,265,433	269,256	996,177	250,860
Provincial Rental Housing Corporation	78,403,124		78,403,124	80,102,858
	<u>848,118,719</u>	<u>82,846,365</u>	<u>765,272,354</u>	<u>602,336,752</u>

Consolidated entity assets are depreciated in the individual entities over varying periods up to 40 years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

12. Other Assets

	1982	1981
	\$	\$
Investments—		
British Columbia Regional Hospital Districts Financing Authority bonds	12,000,000	22,000,000
British Columbia School Districts Capital Financing Authority bonds	44,071,501	59,071,501
British Columbia Resources Investment Corporation		25,020,361
Loans under the—		
<i>Farm Product Industry Act</i>	1,842,728	2,325,613
<i>Ministry of Industry and Small Business Development Act</i>	59,098,890	51,315,026
<i>Agricultural Land Development Act</i>	19,040,180	16,990,418
Oyster Seed Program	43,931	44,496
Advances—		
City of Penticton	150,000	150,000
University Endowment Lands	4,184,887	4,184,887
British Columbia Central Credit Union under Housing Initiative Program Agreement	183,245,637	186,967,005
Other	18,237	
	<u>323,695,991</u>	<u>368,069,307</u>
Less provision for doubtful accounts	<u>(37,307,077)</u>	<u>(35,968,017)</u>
	<u>286,388,914</u>	<u>332,101,290</u>

During the year, 4,655,045 shares in the British Columbia Resources Investment Corporation were gifted to the Terry Fox Medical Research Foundation. The gifting of these shares, which cost \$47,024,602, has resulted in the recording of an expenditure in the amount of \$25,019,744 which is equal to the written down value of the shares at March 31, 1981.

13. Accounts Payable and Accrued Liabilities

	1982	1981
	\$	\$
Consolidated Revenue Fund	473,828,491	240,604,225
Accounts payable of consolidated Crown corporations:		
British Columbia Buildings Corporation	31,975,757	24,374,140
British Columbia Health Care Research Foundation	1,085,951	61,503
British Columbia Heritage Trust	31,280	22,693
British Columbia Housing Management Commission	2,996,950	2,376,530
British Columbia Petroleum Corporation	40,414,609	67,438,136
British Columbia Place Ltd.	13,140,000	2,899,000
British Columbia Systems Corporation	12,585,754	12,302,926
Creston Valley Wildlife Management Authority Trust Fund	6,804	36,594
Discovery Foundation	1,863,073	844,328
Expo 86	318,949	169,148
Health Facilities Association of British Columbia	6,395,662	6,331,424
Knowledge Network of the West Communications Authority	709,953	152,632
Legal Services Society	368,159	505,623
Medical Services Commission of British Columbia	95,790,009	61,479,672
Provincial Capital Commission	265,204	134,586
Provincial Rental Housing Corporation	12,848,262	4,166,709
Science Council of British Columbia	145,973	13,760
University of British Columbia Health Sciences Centre	2,456,000	9,533,490
Universities Council	15,499	22,338
	<u>697,242,339</u>	<u>433,469,457</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

14. Deferred Revenue	1982 \$	1981 \$
Natural Resources Revenue—		
Minerals—permits and fees	15,351,694	
Water resources—water rentals and recording fees	39,333,606	9,630,000
Other Revenue—		
Land Leases	3,551,529	
Miscellaneous sales and services	2,464,030	
Contributions From Other Governments—		
Canada—Canada Assistance Plan	9,113,022	
Deferred Revenue of consolidated Crown corporations:		
British Columbia Housing Management Commission	50,355	93,471
British Columbia Petroleum Corporation	5,358,515	
British Columbia Systems Corporation	2,200,000	400,000
Knowledge Network of the West Communications Authority		135,250
Medical Services Commission of British Columbia	29,920,123	18,104,034
Provincial Capital Commission	10,741	3,400
	<u>107,353,615</u>	<u>28,366,155</u>

1981 deferred revenue for which no comparative amounts are presented have been included in 1981 revenue, with no material effect on operating results for the year.

15. Unmatured Debt

	1982 Gross Debt \$	Less	1982 Net Debt \$	1981 Net Debt \$
		Sinking Funds Net \$	Debt Held by Consolidated Entities \$	
Debt issued by:				
(a) Consolidated Revenue Fund	183,147,790			209,247,790
(b) Crown Corporations and Agencies:				
British Columbia Buildings Corporation	394,747,000	10,176,000	179,639,000	149,629,000
British Columbia Place Ltd.				17,425,000
British Columbia Systems Corporation	28,897,000	20,338,000		8,559,000
Health Facilities Association of British Columbia	49,500,000	3,288,209		46,211,791
Provincial Rental Housing Corporation	75,327,776		28,188,538	47,139,238
	<u>548,471,776</u>	<u>33,802,209</u>	<u>207,827,538</u>	<u>249,380,070</u>
	<u>731,619,566</u>	<u>33,802,209</u>	<u>207,827,538</u>	<u>458,627,860</u>

Details of the various terms of repayment are available in the financial statements of each of the consolidated entities.

16. Prior Period Adjustments

(a) British Columbia Railway Company

A portion of a grant paid by the Government to the British Columbia Railway Company during the year ended March 31, 1981 was inadvertently excluded from the unremitted earnings of commercial and transportation companies for the year ended March 31, 1981.

(b) British Columbia Research Council

The financial statements of the British Columbia Research Council were consolidated with those of the Government at March 31, 1981. The British Columbia Research Council is not considered to support existing Government programs and should not, therefore, be consolidated with the financial results of the Government.

(c) Expo 86 and Provincial Capital Commission

The audited financial statements of Expo 86 (formerly, Transpo 86) and Provincial Capital Commission at March 31, 1981 were unavailable during the preparation of the Government's consolidated financial statements for the year then ended. Those audited financial statements have since become available, and it is appropriate to reflect their financial results in the Government's consolidated financial statements for the year ended March 31, 1981.

As a result of the matters described above, the following adjustments to the Government's consolidated assets, liabilities and taxpayers' equity at March 31, 1981 have been made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

16. Prior Period Adjustments—Continued

	\$
Assets at March 31, 1981—as previously reported	2,407,040,260
Increase in cash and temporary investments	1,504,681
Decrease in accounts receivable	(1,342,752)
Decrease in amounts due from Crown corporations and agencies	(700,237)
Increase in investments in Crown corporations—at equity	12,478,000
Assets at March 31, 1981—as restated	2,418,979,952
Liabilities at March 31, 1981—as previously reported	921,078,258
Decrease in accounts payable	(618,186)
Increase in deferred revenue	3,400
Liabilities at March 31, 1981—as restated	920,463,472
Taxpayers' Equity at March 31, 1981—as previously reported	1,485,962,002
Increase in taxpayers' equity—beginning of year	1,675,334
Decrease in consolidated net expenditure for the year ended March 31, 1981	10,879,144
Taxpayers' Equity at March 31, 1981—as restated	1,498,516,480
	2,418,979,952

Adjustments to net assets per consolidated Crown corporations' financial statements of \$196,769,742 (see C 27) include prior period adjustments of \$8,230,258. This amount has not been reflected in the above adjustments.

17. Trust Funds Under Administration

These comprise monies held in trust for third parties which are administered by the Government but over which the Legislature has no power of appropriation and they include trust deposits, sinking funds, certain assurance funds and superannuation funds.

Superannuation and Pension Funds

	1982	1981
Net Assets	\$	\$
Cash and temporary investments		
—held in the trust funds	1,217,772,910	677,234,201
—held in the general fund		30,349,096
Accrued interest and accounts receivable	179,331,610	
Other investments	2,610,854,317	2,426,577,969
	4,007,958,837	3,134,161,266
Less:		
—cash payable to general fund	14,637,679	
—accounts payable	27,688,079	
	42,325,758	
	3,965,633,079	3,134,161,266

Fund Balances

Public Service Superannuation Fund	1,263,906,944	982,343,070
Municipal Superannuation Fund	1,241,630,590	987,225,852
Teachers' Pension Fund	947,490,851	740,455,223
College Pension Fund	69,719,066	50,843,221
British Columbia Hydro and Power Authority Pension Fund	307,940,940	263,891,507
British Columbia Power Commission Superannuation Fund	26,165,339	24,416,744
British Columbia Railway Company Pension Fund	70,648,030	54,207,200
Members of the Legislative Assembly Superannuation Account	3,120,456	2,252,338
Workers' Compensation Board of British Columbia Superannuation Fund	35,010,863	28,526,111
	3,965,633,079	3,134,161,266

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued**

17. Trust Funds Under Administration—Continued

Trust Funds	1982	1981
Net Assets	\$	\$
Cash and temporary investments		
—held in the trust funds	1,346,676,548	586,301,654
—held in the general fund	110,905,902	97,989,129
Accrued interest and accounts receivable	87,485,059	
Other investments	1,595,681,105	1,352,861,219
	3,140,748,614	2,037,152,002
Less: accounts payable	1,726,335	
	<u>3,139,022,279</u>	<u>2,037,152,002</u>
Fund Balances		
Trust Deposits		
Courts	60,847,354	41,147,448
Intestate estates	31,670,160	27,172,001
Long term disability funds—		
Public Service	24,361,188	16,246,722
Crown Corporations	4,973,756	3,443,582
Official Committee	81,454,394	47,212,557
Official Guardian	12,547,673	9,922,416
Other	631,820,962	29,794,871
	<u>847,675,487</u>	<u>174,939,597</u>
Sinking Funds		
British Columbia Buildings Corporation	10,230,177	5,735,100
British Columbia Ferry Corporation	12,635,473	17,629,635
British Columbia Hydro and Power Authority	543,300,822	467,390,192
British Columbia Railway Company	148,436,180	139,229,543
British Columbia Regional Hospital Districts Financing Authority	121,137,895	90,910,745
British Columbia School Districts Capital Financing Authority	372,131,833	295,779,843
Greater Vancouver Sewerage and Drainage District	22,731,296	19,660,831
Other	13,596,116	9,445,599
	<u>1,244,199,792</u>	<u>1,045,781,488</u>
Miscellaneous		
Crop Insurance accounts	4,758,948	4,770,323
Land Registry Assurance Fund	977,490	904,770
Travel Agents Assurance Fund	148,583	550,869
Workers' Compensation Board, Accident Fund	1,041,261,979	810,204,955
	<u>1,047,147,000</u>	<u>816,430,917</u>
	<u>3,139,022,279</u>	<u>2,037,152,002</u>
Total Trust Funds Under Administration	<u>7,104,655,358</u>	<u>5,171,313,268</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

17. Trust Funds Under Administration—Continued

(a) Superannuation and Pension Funds

The Government manages the administration of and is responsible for employee contributions to certain superannuation and pension plans in accordance with the following Acts and Regulations:

Pension (Public Service) Act

Pension (Municipal) Act

Pension (Teachers) Act

Pension (College) Act

Legislative Assembly Allowance and Pension Act

British Columbia Hydro and Power Authority Pension Fund Regulations

British Columbia Power Commission Superannuation Fund Regulations

British Columbia Railway Company Pension Fund Rules and Regulations

Workers' Compensation Board Superannuation Fund Plan

The Government is responsible for the employer contributions, and has statutory responsibilities with respect to unfunded liabilities under the *Pension (Public Service) Act*, the *Pension (Teachers) Act* and the *Legislative Assembly Allowance and Pension Act*. The Government has no statutory responsibilities with respect to unfunded liabilities under the other Acts and Regulations noted above.

Summarized actuarial balance sheets of the pension and superannuation funds are set out on the following page.

(b) Trust Deposits

Trust Deposits are the funds which are administered by the Government under statutes such as the Patients Property, Estate Administration and Infants Acts. Patient accounts for some Government institutions as well as surplus working capital funds for several Crown corporations are also administered in this section.

(c) Sinking Funds

Sinking Funds are the accumulation of installment payments and interest earned for the purpose of debt retirement at some future date. The amount and number of installments as well as the type of securities in which installments and interest earnings may be invested, may be specified in the debt issue.

(d) Miscellaneous Trust Funds

Miscellaneous Trust Funds include those accounts which have been established by statutes to protect the citizens of British Columbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

17. Trust Funds Under Administration—Continued

Summarized Actuarial Balance Sheets of Superannuation and Pension Funds as at the dates of the latest actuarial valuation.

	Funds for Which the Government Has Statutory Responsibility With Respect to Unfunded Liabilities		Other Funds for Which the Government Has No Statutory Responsibility With Respect to Unfunded Liabilities				
	Public Service Superannuation as at March 31, 1980	Teachers' Pension as at December 31, 1980	Municipal Superannuation as at December 31, 1979	College Pension as at August 31, 1976	British Columbia Hydro and Power Authority Pension as at December 31, 1979	British Columbia Railway Company Pension as at December 31, 1981	Workers' Compensation Board Superannuation as at March 31, 1981
Assets							
Fund	\$	\$	\$	\$	\$	\$	\$
Present value of future contributions	1,069,594,000	716,697,000	900,499,000	18,023,000	219,737,000	58,186,000	23,556,000
	1,071,750,000	1,805,273,000	1,531,071,000	53,152,000	355,854,000	107,746,000	48,630,000
	2,141,344,000	2,521,970,000	2,431,570,000	71,175,000	575,591,000	165,932,000	72,186,000
	631,172,000 ¹	1,019,270,000 ²	407,272,000 ³	12,290,000	(11,754,000)	8,557,000	36,348,000
	2,772,516,000	3,541,240,000	2,838,842,000	83,465,000	563,837,000	174,489,000	108,534,000
Unfunded Liability (Surplus)							
Total Actuarial Liability							

No actuarial valuations are required of the Members of the Legislative Assembly and the British Columbia Power Commission Superannuation Funds. Key actuarial assumptions on which the above balance sheets are based differ from plan to plan; the major assumptions include salary growth, the interest rate on fund assets, mortality rates, withdrawal rates and retirement age⁴.

¹ The actuarial report indicated that present funding levels would amortize the unfunded liability in 30 years.

² Under the contribution method used the unfunded liability is never amortized, but remains at about a constant proportion of total payrolls. The actuarial report indicated that the unfunded liability was not a threat to the continued payment of pensions nor to the financial health of the plan.

³ The unfunded liability is arrived at after taking into account changes in contribution rates and benefits which became effective in 1980.

⁴ Audited financial statements of these superannuation and pension funds and details of key actuarial assumptions are contained in Section G of the Public Accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

18. Contingent Liabilities—Guaranteed Debt

	1982 Gross Debt \$	Less		1982 Net Debt \$	1981 Net Debt \$
		Sinking Funds Net \$	Debt held by Consolidated Entities \$		
Municipalities and other local governments	60,179,389	23,274,716		36,904,673	45,456,549
Health and education	2,190,362,276	499,638,497	40,859,930	1,649,863,849	1,344,236,135
Economic development	1,144,090,783	161,064,797	143,956,628	839,069,358	787,975,729
Utilities	7,697,981,708	543,300,822	7,626,830	7,147,054,056	5,886,430,647
Total Guaranteed Debt	11,092,614,156	1,227,278,832	192,443,388	9,672,891,936	8,064,099,060

The Government is directly responsible for paying 60 to 100 per cent of debt service costs for health and education debt through various grant formulas. In 1981/82 these contributions totalled approximately \$159 million or 68 per cent of the debt service costs. The Government also pays a portion of the debt service costs of some economic development enterprises. No such contribution is made for utilities.

As a result of Government financing policies \$4.1 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other provincial public sector superannuation and pension funds. Canada Pension Plan funds made available to the Government (\$3 billion) are also invested in these securities but are subject to redemption on six months' notice by the Federal Minister of Finance.

Subsequent to the year-end there have been additional net debt issues guaranteed by the Province totalling \$917.4 million.

19. Contingent Liabilities and Commitments

(a) Contingent Liabilities

(i) General

There are various contingent liabilities outstanding in the form of litigation, indirect guarantees and outstanding claims. Because such amounts are uncertain, no liability has been recorded in these consolidated financial statements.

(ii) British Columbia Hydro and Power Authority (B.C. Hydro)

A major contractor on B.C. Hydro's Revelstoke project has made claims that he had to incur substantial unanticipated costs. The claims as submitted in mid-April 1982 are difficult too quantify but approximate \$40,000,000 for work performed to March 1982. It is expected that B.C. Hydro will deny liability for the substantial part of all the claims made. Any amount paid by B.C. Hydro as a result of the claims will be capitalized as part of construction and included in fixed assets.

(iii) Urban Transit Authority (the Authority)

During the year, the Authority received \$60,000,000 from the Government of Canada to be applied to the purchase of vehicles and the prebuild section of the advanced light rapid transit project. The Authority is contingently liable for repayment of some or all of the funds in the event of non-compliance with certain provisions of an agreement dated February 26, 1982.

(b) General Commitments

In addition, at the end of each year there are a number of general commitments outstanding for ongoing programs and operations.

For reporting purposes in these financial statements, future expenditures of fully consolidated entities are recorded as a charge in the year in which the work or service is performed. These include a liability for credits frozen under the Government's former sick leave plan which is estimated at a maximum of \$75 million and commitments for capital construction projects totalling approximately \$157 million. Minimum payments under operating leases total approximately \$120 million over the next five years.

Approved capital commitments for those entities reported on the equity basis total approximately \$1,729 million and minimum payments under operating leases total approximately \$81 million over the next five years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued

(c) *British Columbia Railway Company—Tumbler Ridge Branch Line*

The British Columbia Railway Company (the Railway) is constructing the Tumbler Ridge Branch Line for the North East Coal Project to be completed in 1983 at a total estimated cost of \$456 million (exclusive of interest). The Government has expressed its intention to make appropriate financial arrangements to ensure that the Railway fully recovers the project's capital costs. During the year the Government invested \$45 million in the Railway pursuant to the Tumbler Ridge Branch Line Agreement. (See note 9 (a)).

20. **Workers' Compensation Board of British Columbia—Unfunded Liability**

The Workers' Compensation Board of British Columbia, established under the *Workers Compensation Act*, delivers compensation and preventive medical services, sets and controls working conditions throughout the Province and provides education and rehabilitation services to injured employees. The Board funds its operations from assessments on businesses throughout the Province.

The Board is required in each year to provide capitalized reserves under the Accident and Silicosis Funds sufficient to meet future payments of compensation accruing in future years in respect of all injuries occurring during the year. Provisions have proven to be insufficient and at December 31, 1981 cumulative actuarial liabilities exceeded the funded balances by approximately \$510 million. The balance of the unfunded liability has increased to the point that it now exceeds one year's total class income. At this time, the Board considers that the deficiencies will be recovered from future assessments by 1991.

21. **Subsequent Events**

(a) *British Columbia Place Ltd.*

Pursuant to the *Miscellaneous Statutes Amendment Act*, 1982, proclaimed in July 1982, the share in the capital of British Columbia Place Ltd. held by the Government was transferred to the British Columbia Buildings Corporation who subsequently made an equity investment of \$205 million. In June 1982, the board of directors of British Columbia Place Ltd. declared a dividend payable to the Government in the amount of \$65 million, which was paid in September 1982.

(b) *Special Purpose Funds*

Pursuant to the *Special Appropriations Act*, proclaimed in August 1982, most of the special purpose funds, with balances totalling approximately \$900 million at March 31, 1982, were replaced with special accounts within the general fund effective April 1, 1982. The Act amended or repealed the legislation under which these funds were created and established legislative authority to pay equivalent amounts from the general fund portion of the consolidated revenue fund.

(c) *British Columbia Hydro and Power Authority (B.C. Hydro)*

Subsequent to March 31, 1982, B.C. Hydro recorded an extraordinary expenditure of \$77 million to write off the costs incurred for the Hat Creek project, which has been deferred indefinitely because of forecasts of lower demand for electricity.

22. **Comparatives**

Certain of the comparative figures for the year ended March 31, 1981 have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results as previously reported.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982
SCHEDULE OF NET POSITION OF CONSOLIDATED ENTITIES**

1982

	Adjustments to net assets per consolidated Crown corporations financial statements	Earnings (losses) per consolidated Crown corporations financial statements	Earnings (losses) prior to consolidation	Accounting Policy Adjustments Write-off of fixed assets	Other	Net earnings (losses) for the year	Net earnings (losses) for the year
	\$	\$	\$	\$	\$	\$	\$
Service Corporations							
British Columbia Buildings Corporation	16,721,000	(8,005,000)	8,716,000	(77,417,000)	6,088,824	(62,612,176)	(22,182,355)
British Columbia Systems Corporation	2,676,000	(2,676,000)		(15,122,000)	(591,000)	(15,713,000)	(5,157,000)
	<u>19,397,000</u>	<u>(10,681,000)</u>	<u>8,716,000</u>	<u>(92,539,000)</u>	<u>5,497,824</u>	<u>(78,325,176)</u>	<u>(27,339,355)</u>
Provincial Corporations							
British Columbia Health Care Research Foundation	154,859		154,859			154,859	(611,095)
British Columbia Heritage Trust	902,069		902,069	(6,217)		895,852	884,509
British Columbia Housing Management Commission	327,486	87,172	414,658	44,366	1,275,431	1,734,455	(5,506,271)
British Columbia Petroleum Corporation	219,922,383	(205,000,000)	14,922,383	36,550	(14,115,185)	843,748	3,808,423
British Columbia Place Ltd.	56,472,000		56,472,000	(64,062,000)	(1,496,435)	(9,086,435)	(58,724,565)
Creston Valley Wildlife Management Authority Trust Fund	48,631		48,631			48,631	20,108
Discovery Foundation	973,291	(29,899)	943,392	(12,922,917)	(911,580)	(12,891,105)	(2,412,606)
Expo 86	288,477		288,477	(59,801)		228,676	86,263
Health Facilities Association of British Columbia	2,221,675	12,890,197	16,111,872		(24,466,149)	(8,354,277)	(16,796,892)
Knowledge Network of the West Communications Authority	1,164,344		1,164,344	(745,317)		428,788	2,503,955
Legal Services Society	427,039		427,039		9,761	442,595	(88,548)
Medical Services Commission of British Columbia	(57,664,334)		(57,664,334)		15,556	(57,664,334)	7,229,623
Provincial Capital Commission	54,182		54,182		(3,837)	50,345	(1,353,065)
Provincial Rental Housing Corporation	1,367,958		1,367,958	1,699,734	328,984	3,396,676	5,271,439
Science Council of British Columbia	2,160,808		2,160,808		1,433	2,162,241	2,072,940
Universities Council	85,669		85,669			85,669	(51,753)
University of British Columbia Health Sciences Centre	(837,000)	4,963,788	4,126,788		(112,184)	4,014,604	(5,572,968)
	<u>228,069,537</u>	<u>(186,088,742)</u>	<u>41,980,795</u>	<u>(76,015,602)</u>	<u>(39,474,205)</u>	<u>(73,509,012)</u>	<u>(69,280,505)</u>
Total	<u>247,466,537</u>	<u>(196,769,742)</u>	<u>50,696,795</u>	<u>(168,554,602)</u>	<u>(33,976,381)</u>	<u>(151,834,188)</u>	<u>(96,599,860)</u>

1981

Accounting policy adjustments are made so that the net earnings (losses) of consolidated entities are calculated in accordance with the accounting policies adopted by the Government as described in note 1, Basis of Accounting, page C 13.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1982—Continued
SCHEDULE OF EQUITY IN TRANSPORTATION COMPANIES**

	1982					1981					
	British Columbia Ferry Corporation	British Columbia Harbours Board	British Columbia Railway Company	British Columbia Steamship Company (1975) Ltd.	Metro Transit Operating Company	Pacific Coast Lines Limited	Urban Transit Authority	Transportation Companies Total	Commercial Companies (page C 28)	Grand Total	Grand Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Computation of Equity											
Earnings (losses) for the year, not in- cluding Provincial grants	(58,201,173)	4,464,378	(53,238,000)	(264,052)	—	(8,566,379)	(77,026,374)	(192,831,600)	119,072,730	(73,758,870)	(47,514,269)
Provincial grants	58,890,776	—	56,403,000	—	—	9,907,991	79,051,897	204,253,664	—	204,253,664	189,107,749
Earnings for the year	689,603	4,464,378	3,165,000	(264,052)	—	1,341,612	2,025,523	11,422,064	119,072,730	130,494,794	141,593,460
Extraordinary items	—	—	—	—	—	—	—	—	—	—	(5,659,960)
Net earnings for year	689,603	4,464,378	3,165,000	(264,052)	—	1,341,612	2,025,523	11,422,064	119,072,730	130,494,794	135,933,470
Unremitted earnings (losses)—begin- ning of year	39,179,357	13,774,892	(76,554,000)	(6,393,849)	—	3,719,651	1,385,385	(24,888,564)	390,110,282	365,221,718	223,810,935
Transfers from (to) Government	(3,326,151)	—	62,409,000	7,700,000	—	(63,434)	—	66,713,415	(2,060,000)	64,653,415	5,477,313
Unremitted earnings (losses)—end of year	36,542,809	18,239,270	(10,980,000)	1,042,099	—	4,991,829	3,410,908	53,246,915	507,123,012	560,369,927	365,221,718
Recorded by the Government	—	—	—	—	—	—	—	—	—	—	—
Shares and other in- vestments	5,849,700	10,000,000	10,235,001	5	—	2	—	16,084,708	50,570,100	66,654,808	56,419,808
Advances	—	—	—	—	—	—	55,000,000	65,000,000	—	65,000,000	29,073,693
Total Equity	42,392,509	28,239,270	(744,999)	1,042,104	—	4,991,831	58,410,908	134,331,623	557,693,112	692,024,735	450,715,219

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